Why do some countries get CSR sooner, and in greater quantity, than others? The political economy of corporate responsibility and the rise of market liberalism across the OECD: 1977-2007

Kinderman, Daniel

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Daniel Kinderman

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kinderman@wzb.eu
dpk24@cornell.edu

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Daniel Kinderman
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Wissenschaftszentrum Berlin für Sozialforschung gGmbH (WZB)
Reichpietschufer 50, D-10785 Berlin
Telefon: +49 30 25491-272, Fax: +49 30 25491-255
www.wzb.eu/gwd/wpa

Abstract

How can we explain the historical and trans-national variation of Corporate Responsibility – business's voluntary engagement for social and environmental ends above legally mandated minimum standards – and how are we to understand this amorphous and essentially contested phenomenon? In this paper, I propose a political-economic explanation for the variation of Corporate Responsibility [Corporate Social Responsibility (CSR) and Corporate Citizenship].

I posit that Corporate Responsibility's temporal and cross-national variation is linked to its function of legitimating economic liberalization and market liberalism. Both employers and state officials have an interest in compensating for the hardships of liberalization and the weakening of institutionalized social solidarity. One way in which they seek to legitimate the market vis-à-vis their 'stakeholders' and the electorate, and justify themselves vis-à-vis their own conscience, is through Corporate Responsibility. CR inoculates firms against burdensome regulation and justifies a light regulatory touch; it facilitates business-friendly institutional reforms; it helps to satisfy employers' needs and compensate for market failures and deficiencies in public provision. But CR cannot be understood in purely rational-instrumental let alone cynical terms. One of its most essential functions is to constitute businesspeople as responsible moral agents. Those in the engine rooms of contemporary capitalism – whether owners, managers, or employees – want to perceive themselves as serving the common good. This is true irrespective of capitalist 'varieties.' In the place of Milton Friedman's assertion that the business of business is business, employers chant: 'Free us up so we can do some Corporate Responsibility!'

Using national Corporate Responsibility associations and their membership levels as a proxy for the institutionalization of CR, this paper develops and tests a political-economic explanation for the temporal and trans-national variation of CR. Using Corporate Responsibility associations, a novel proxy for the state of CR in a given country at a given time, I hypothesize that Liberal Market Economies tend to 'get' CR earlier, and get more of it, than Social / Coordinated Market economies. Furthermore, Corporate Responsibility co-evolves with the decline of institutionalized social solidarity, 'embedded liberalism' and 'organized capitalism.' Empirical evidence from more than twenty OECD countries and from the CR 'leader' United Kingdom and 'laggard' Germany support these hypotheses and illustrate the co-evolution of CR and market liberalism during the past thirty years. In sum, this paper suggests that CR functions as a material and symbolic substitute for institutionalized forms of social solidarity.

Keywords: Corporate Social Responsibility, liberalization, market liberalism, quantity of CSR, timing of CSR, Varieties of Capitalism.

Zusammenfassung

Wie können wir die transnationale Varianz von Corporate Responsibility – des freiwilligen Engagements von Unternehmen für soziale und ökologische Belange über gesetzlich vorgeschriebene Mindeststandards hinaus – erklären? Verbreitete sozialwissenschaftliche Erklärungen von Corporate Social Responsibility (CSR) und Corporate Citizenship stellen soziale Bewegungen und die Diffusion von sozialen Normen in den Vordergrund. Ich entwickele einen alternativen, polit-ökonomischen Ansatz: Corporate Responsibility trägt dazu bei, wirtschaftliche Liberalisierung und Marktliberalismus zu legitimieren. Sowohl Arbeitgeber als auch Politiker sind daran interessiert, die Härten der Liberalisierung und die Schwächung des institutionalisierten sozialen Zusammenhalts zu kompensieren. Corporate Responsibility

ist ein Weg, das Vertrauen von Interessenvertretern und Wählern in den Markt zu stärken und gleichzeitig das eigene Gewissen zu entlasten; CR impft Unternehmen gegen zu starke Regulierung und ermöglicht doch einen zurückhaltenden Eingriff; es erleichtert unternehmensfreundliche institutionelle Reformen und es kann helfen, Marktversagen und Mängel in der Bereitstellung von öffentlichen Gütern zu kompensieren. CR darf jedoch nicht rein zweckrational, strategisch oder gar zynisch verstanden werden. Eines seiner wichtigsten Funktionen besteht darin, Geschäftsleuten ein Selbstverständnis als verantwortungsbewusste moralische Akteure zu ermöglichen. Alle Beteiligten im Räderwerk des zeitgenössischen Kapitalismus – ob Eigentümer, Führungskräfte oder Mitarbeiter – wollen sich als dem Gemeinwohl dienend verstehen, unabhängig von unterschiedlichen Spielarten des Kapitalismus. An Stelle von Milton Friedmans Behauptung ‚the business of business is business' rufen Unternehmer, Wirtschafts-und Arbeitgeberverbände im Chor: ‚Befreit uns von unseren Beschränkungen, damit wir uns in CR engagieren können!"

Mit der Hilfe eines neuen Indikators wird eine politisch-ökonomische Erklärung für die zeitliche und transnationale Varianz von CR entwickelt. Meine Hypothese ist, dass liberale Marktwirtschaften CR früher und in größeren Mengen ‚bekommen' als soziale Marktwirtschaften. Darüber hinaus behaupte ich, dass der Anstieg von Corporate Responsibility einher geht mit dem Niedergang des institutionalisierten sozialen Zusammenhalts und des „organisierten Kapitalismus." Empirische Daten aus mehr als zwanzig OECD-Ländern und aus dem CR-Vorreiter England und dem „Nachzügler" Deutschland unterstützen diese Thesen und veranschaulichen die Ko-Evolution des Aufstiegs von CR und der Liberalisierung der Wirtschaft in den letzten dreißig Jahren. Zusammengefasst, wird in diesem Papier vorgeschlagen, CR als materiellen und symbolischen Ersatz für institutionalisierte Formen des sozialen Zusammenhalts zu verstehen. Für Theorie und Forschungspraxis legen diese Ergebnisse nahe, politisch-ökonomische Institutionen und die Spielarten des Kapitalismus bei der Untersuchung von Corporate Social Responsibility (CSR) und Corporate Citizenship stärker in den Vordergrund zu rücken.

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1. Introduction

Why has Corporate Responsibility risen to prominence in global governance? During recent decades, Corporate Responsibility – businesses' voluntary engagement for social and environmental ends above legally mandated minimum standards – has risen to prominence, if not pre-eminence in global governance. Corporate Responsibility emphasises that corporations should be accountable to a broader network of stakeholders than just owners/shareholders, and should take responsibility for social and environmental outcomes – while stressing that *they should be flexible to pursue these ends as they see fit.*[1] A wide variety of actors champion business's engagement for social and environmental ends. Indeed, it is hard to find an entrepreneur, manager or public official who does not advocate for business's engagement for good in the world. In what has become an almost universal script, businesses engage in voluntary, positive-sum, 'win-win' partnerships and cooperation with 'stakeholders' minimizing their negative and maximizing their positive externalities. The overwhelming majority of large multinational corporations have adopted 'codes of conduct' with explicit reference to Corporate Responsibility in its various incarnations [CSR, Corporate Citizenship). Kofi Annan, the late Milton Friedman and John Gerard Ruggie (the scholar of embedded liberalism) are only three of the diverse and numerous people in academia, international organizations and public policy who have given their stamp of approval to Corporate Responsibility.[2] Based on original data, this paper articulates a new argument about Corporate Responsibility's transnational variation. Before articulating my argument, this section places it in the context of broader literatures, beginning with the socio-economic context of the rise of CR. Readers wishing to cut directly to the argument are advised to skip to section 2 on page 8; those wishing to skip directly to the cross-national findings, to section 4 on page 16.

Since I propose that the rise of CR has something to do with the decline of institutionalized social solidarity, there is scarcely a better place to start than with John Gerard Ruggie's work on "embedded liberalism." Drawing on Karl Polanyi, Ruggie popularised the term "embedded liberalism" to describe the multilateral post-war economic order "predicated upon domestic intervention," an "inter-subjective framework of meaning" that was a "fusion of power and legitimate social purpose" (1983: 209; 196; 201).[3] Ruggie describes the "grand

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1 I am using 'Corporate Social Responsibility' or 'CR' as an umbrella term to refer to the discourse and practice of Corporate Social Responsibility and Corporate Citizenship. While I do not deny that these concepts have different emphases, they nonetheless have in common an emphasis on voluntary engagement above and beyond legally mandated minimum standards – whether within the firm's core processes (CR), or in the relations of the firm with its societal environment (Corporate Citizenship).

2 Milton Friedman is well-known for his quip that the social responsibility of business is to increase its profits. In 2005, he debated the issue of Corporate Responsibility with John Mackey and TJ Rogers, and concluded that his disagreements with Corporate Responsibility advocates were only semantic. See "Rethinking the Social Responsibility of Business: A debate featuring Milton Friedman, Whole Foods' John Mackey and Cyprus Semiconductor's TJ Rogers" Reason Online December 2005.

3 Kurtulus Gemici (2008) argues convincingly that embeddedness should be understood as a methodological principle – i.e. 'in what ways is the economy embedded in these various contexts?' – but not as a theoretical proposition according to which economies can be embedded or disembedded. Despite this problem, the term has acquired widespread use, which is the reason why I too use it here.

domestic bargain" underpinning the embedded liberal compromise as follows: "societies were asked to embrace the change and dislocation attending liberalization, but the state promised to cushion these effects by means of its newly acquired domestic economic and social policy roles" (Ruggie, 1998: 89). Since the 1970s, unemployment has risen, growth has slowed, and the institutional and ideological underpinnings of the embedded-liberalism compromise have come under attack. A growing number of countries have experienced "a counter double movement … away from embedded liberal ideas" (Blyth, 2002: 5). In the view of Heckscher et. al, "in the past 30 years the established system of industrial democracy and stakeholder representation has been disrupted throughout the industrialized world. The roles of unions and of government regulation, central to the post-war order, have everywhere been weakened or have come under attack" (Heckscher et. al, 2003: 3). According to Paul Osterman, the employment system of embedded liberalism, with its stability and job security, has "collapsed" and "been shattered," resulting in "tremendous insecurity" for employees (Osterman, 1999: 180, 167, 181).

Ruggie claims that, like the earlier embedded liberalism compromise, Corporate Responsibility can re-embed the economy in society. Ruggie views Corporate Responsibility as "taking embedded liberalism global" (Ruggie, 2007: 34)[4] and integral to "Reconstituting the Global Public Domain" (Ruggie, 2004): "The effect of the new global public domain is not to replace states, but to embed systems of governance in broader global frameworks of social capacity and agency that did not previously exist" (Ruggie, 2004: 519). "Haltingly and erratically, something akin to an embedded liberalism compromise is being pulled and pushed into the global arena, and the corporate connection is a key element in that process" (Ruggie, 2003: 118).[5] Like the earlier embedded liberalism compromise, Ruggie views Corporate Responsibility as a reaction to economic dislocations.

Ruggie is only one of many who associate CR with brighter futures for egalitarian politics. David Levy and Rami Kaplan view it as "a contemporary double-movement against global neoliberalism … an attempt to establish a more socially embedded form of economic governance" (Levi and Kaplan, 2008: 443). The discourse of CR is trans-national if not global. The cost of CR initiatives is typically modest. Indeed, CR advocates never tire of emphasizing the 'business case,' the benefits and pay-offs of Corporate Responsibility for businesses that practice it. If CR is thought to be conducive to firms' competitiveness or necessary for their survival, then firms everywhere should adopt it as quickly as they can to avoid suffering reputational damage and falling behind their more virtuous competitors. CR thus seems a prime issue area for processes of learning, emulation, diffusion and isomorphism: processes driven by institutional entrepreneurs who live *for* CR, using it to promote their social, environmental or religious values; and by consultants and auditing firms who live *from* CR, using it as a source of income.[6] Since, as John W. Meyer, Gili S. Drori, and Hokyu Hwang have noted, "universalistic claims are particularly amenable to global diffusion" (2006: 260), we should expect CR to spread with ease and rapidity across the world, or at very least across liberal democracies.

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4 Most of Ruggie's empirical illustrations come from weak governance zones in countries with failed states, and not from the affluent OECD countries, the focus of my inquiry. Nevertheless, it does not seem consistent with Ruggie's argument if firms which help to provide public goods in developing countries with weak states engage in the dismantling of those very structures in highly regulated industrial or post-industrial countries.

5 Ruggie's statements are phrased in a way that makes them hard to operationalize let alone falsify. I therefore interpret him to be saying that CR helps to, is positively associated with, the re-embedding of the Global Public Domain.

6 Windell (2006)

The received wisdom seems to be that CR should be understood in one of two ways: either as the outcome of changing societal norms and organizational fields, factors emphasized by the new sociological institutionalism (Hoffmann, 1999); or as the outcome of civil society activists who attempt to hold corporate actors accountable to their norms (Ruggie, 2003, 2004, 2007). Along these lines, Ruggie has proposed that Corporate Responsibility is embedding states and businesses in new trans-national norms of responsible conduct (Ruggie, 2007: 34). It is surely too early for a final verdict. But much of the evidence presented in this paper suggests that the rise of CR across the OECD during the past thirty years cannot be understood in these ways. Why not?

At first glance, the new sociological institutionalism and the world society approach of John Meyer and his colleagues herald great promise for this subject matter, for they foreground "normative preferences and the power of legitimacy" (Drori and Krücken, 2009: 10). World polity theory emphasizes the influence of institutionalized norms and "of the broader sociocultural environment as an explanatory variable for organization" (Krücken and Drori, 2009: 12). Sociological neoinstitutionalism views norms and social practices as diffusing across time and space. Sociological or organizational institutionalism emphasizes the non-rational – ritualized and ceremonial – aspects of Corporate Responsibility's spread across space and time. According to neo-institutional theory, if firms or governments find themselves in a climate of uncertainty, they will tend to adopt practices just because they are considered legitimate in other parts of the organizational field.[7] As argued by Paul DiMaggio and Walter Powell, "structural change in organizations seems less and less driven by competition or the need for efficiency. Instead … forms of organizational change occur as the result of processes that make organizations more similar without necessarily making them more efficient" (DiMaggio and Powell, 1983: 147). John W. Meyer similarly stresses the "extreme dependence of modern actors on wider legitimating models that sustain their actorhood" (Meyer, 2000: 238). These views will strike an immediate chord with anyone who has seen the spread of responsibility or sustainability reports to the shelves of more and more company offices across the OECD.

Extending this line of argument to CR, Gili S. Drori explicates how Corporate Responsibility structures actors' identities: "CSR is now a constitutive myth." Drori's neo-institutionalist tale "suggests increasing homogeneity worldwide: it suggests a common cultural source that is sweeping the intensely globalized world and breeding similar organizational formats, due to common pressures on corporations and regardless of their social locale or organizational roots" (Drori, 2004: 3; 4). CR seems a 'most-likely' issue area for such processes of emulation, as it appears to be driven by intersubjective processes relating to reputation, legitimacy, and norms of appropriateness. As we will see in the sections below, Corporate Responsibility is oftentimes the local adoption or emulation of practices that originated elsewhere. However, there are problems with this way of understanding CR.

While sociological neoinstitutionalists are to be commended for their critique of crude and overly simple rationalism, they tend to underestimate the power of interests.[8] As Richard Swedberg points out, the new sociological institutionalism argues "that firms are not run in a rational manner; firms just want to appear rational since rationality is an important value in contemporary Western culture" (Swedberg, 2004: 12). Sociological institutionalists rightly stress that norms matter. But they attribute too much weight to them, thereby loosing sight of disparities in power and the relentless dynamism and unruliness of capitalism as historical social order.

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7 Meyer and Rowan (1977)

8 For an exception, and an excellent application of sociological neo-institutionalism to CR, see Hiß (2006).

No less serious, sociological institutionalism also has difficulty coming to terms with the substantial variation in the diffusion of CR across time and space. In spite of the internationalization of capital, management ideologies, social activism, and the media, Corporate Responsibility has been institutionalised at very different times in otherwise similar liberal democracies.[9] For example, CR took hold in Britain – now heralded as a 'global CR leader' – nearly two decades before it took hold in Germany. The strength of organizational theory in capturing processes of isomorphism, diffusion and homogenization is of little help when it comes to the central puzzle of this paper, explaining variation over time and space. Though the organizational theory research program has become increasingly attuned to contextual factors, models that at core suggest uniformity do not seem a promising foundation for explaining diversity.

Dirk Matten and Jeremy Moon's work on "implicit and explicit CSR" seems to provide a promising point of departure. Matten and Moon ask "how and why corporate responsibility (CSR) differs among countries and how and why it changes" (Matten and Moon, 2008: 404). Matten and Moon's argument rests on two pillars: the NBS [National Business Systems] literature: "differences in CSR among different countries are due to a variety of long-standing, historically entrenched institutions"; and on the "new" or sociological institutionalism (2008: 406, 411). While "explicit CSR relies on corporate discretion, rather than reflecting either governmental authority or broader formal or informal institutions," for Matten and Moon, "the distinctive elements of the European CSR are embedded in the European NBSs [National Business Systems], such as industrial relations, labour law, and corporate governance" (2008: 409). Matten and Moon thus remind us that binding regulations and voluntarist arrangements are oftentimes functionally equivalent, and one or the other may predominate, depending on the context.

This is a valuable insight, and Matten and Moon deserve credit for making the case for "implicit CSR." Nonetheless, I am skeptical of the usefulness of these categories. My analysis differs from Matten and Moon's in two fundamental respects. First, Matten and Moon emphasize both the institutions of the National Business Systems literature and coercive, mimetic and normative pressures of the new institutionalism, and the resulting picture of institutional change is rather diffuse. In fact, the institutionalization of CR at the national level across the OECD does not simply follow the rise of CR as a legitimation frame. Instead, the rise of CR as a legitimation frame is bound to the decline of national political-economic institutions. Second, I am puzzled by Matten and Moon's use of the terms "CSR" and particularly "implicit CSR." The following statement is revealing of their use of the term CR: "[o]ur NBS approach reveals alternative institutional frameworks to regulate the social consequences of business and to enable corporations to share in coordinated social responsibility" (Matten and Moon, 2008: 420).

The problem with the term "implicit CSR" is that it is a backwards projection that includes *involuntary* business involvement in the provision of social or collective goods under the label of CR. The pages below (and [Kinderman 2010]) contain numerous examples showing that business representatives are often hardly patriotic when it comes to their involuntary involvement in these institutions. If the *differentia specifica* of CR is its voluntariness, it is not clear what is gained from applying this label to social institutions which have been imposed on businesspeople against their will. Applying the label of CR creates the impression that business consented to, supported or tolerated these institutions. My findings suggest that "implicit" and "explicit" CR are not two different species of the same genus; they are very

9 While the received wisdom seems to be that Corporate Responsibility is of a very recent vintage, this dissertation makes the case that the discourse and practice of the current wave of CR can be traced back several decades. This evidence supports Doremus, Keller, Pauly and Reich (1998) as well as Reich (2005)'s arguments for the national embeddedness of CR.

different beasts. CR is often associated with a market-liberal agenda in which the aforementioned "institutional frameworks" are peripheral or absent altogether. Although Matten and Moon at times seem to imply a trade-off between implicit and explicit CR, the underlying dynamics remain unclear.

What about the comparative capitalism literature? Scholars have only recently begun to theorize the relationship between CR and different Varieties of Capitalism (Apostolakou and Jackson, 2009; Chapple, Gond, Louche and Orlitzky, 2008; Gond, Ergi, Bowen, Ralston, Maignan and Griffith, 2008; Gjølberg, 2009a, 2009b; Kinderman, 2008; Matten and Moon, 2008; Midttun, Gautesen and Gjølberg, 2006). Is CR a complement or a substitute for institutionalized solidarity, Coordinated / Social Market Economies, and "embedded liberalism"? For Alte Midttun and Maria Gjølberg, CR is a complement to institutionalized solidarity (Gjølberg, 2009a, Gjølberg, 2009b, Midttun, Gautesen and Gjølberg, 2006). Androniki Apostolakou and Gregory Jackson investigate whether CR is mirror or substitute for institutionalized forms of stakeholder participation. Using firm-level data from the Sustainable Asset Management group, they find that CR "may be associated with the attempts to firms to compensate for institutional voids or substitute for formal institutions" (Apostolakou and Jackson, 2009: 21). I contribute to this debate using a novel dependent variable to track the timing of the institutionalization of CR in different countries.

Like Apostolakou and Jackson (2009), I find that CR appears to be a substitute for institutionalized solidarity. Whereas Alte Midttun, Kristian Gautesen and Maria Gjølberg's (2006) paper supports the "symmetric embeddedness hypothesis," my findings support the opposite claim, the "business-driven detachment hypothesis": "stronger social embedding of the economy ... results in a reduced need and role for business-driven CR.... CR and more traditional socio-political initiatives to embed the economy socially are completely decoupled or even inversely related" (2006: 370). Like Maria Gjølberg (2009a), I find that institutional variables are significant. But my measures do not support her claim that firms from strong welfare states have a comparative advantage in CR (2009a: 6).[10] Finally, my work supplements the growing work on the implications of social movement activism for the rise of Corporate Responsibility.[11] Without denying the importance of contentious politics for the rise of CR, I suggest that social movements and social activism, while facilitating conditions, are insufficient to explain the trans-national variation of Corporate Responsibility over time.

2. The Argument in Brief

I argue that Corporate Responsibility is an integral element of the economic culture of market liberalism. Market liberalism is best known for its political proponents Margaret Thatcher and Ronald Reagan and their agendas of liberalization, privatization, and deregulation. Corporate Responsibility is associated with the very same processes of liberalization which have spread across the world since the 1970s, and which involve "a major recasting of the system of democratic capitalism as we know it …. The current transformation of modern capitalism is making it more market-driven and market-accommodating as it releases ever more economic transactions from public control and turns them over to private contracts" (Streeck and Thelen, 2005: 5; 4).

[10] The differences in our findings are obviously attributable in part to the fact that Gjølberg and I measure CR differently. Gjølberg (2009) focuses largely on initiatives with a predominantly trans-national/North-South orientation in her study, whereas my analysis is more focused on firms' responsibilities towards domestic stakeholders or patriotic concerns.

[11] Soule (2009)

This paper provides evidence of a correlation between Corporate Responsibility and market-liberalism. Identifying the causal linkages is trickier. Corporate Responsibility is slippery, amorphous and multidimensional, as it assumes different forms and fulfills different functions in different contexts and at different times. Corporate Responsibility is linked to the disintegration of the post-war settlement, the decline of institutionalised solidarity, and economic liberalization in multiple ways: it is used by governments and business to inoculate firms against burdensome regulation and justify a light regulatory touch; to facilitate business-friendly reforms of political-economic institutions; to satisfy firms' needs that are not satisfied by the market and to compensate for market failures and deficiencies in public provision; and to constitute businesspeople as responsible moral agents in a liberal market framework. CR addresses problems (for businesses and society) which bear no discernable relationship to liberalization, and which predate it. CR also addresses problems which stem from liberalization itself. It is in this specific sense that CR is endogenous to liberalization, that CR and liberalization are mutually constitutive. Compared with Social Market Economies and the post-war embedded liberalism compromise, market-driven regimes are deficient in the areas of social cohesion and in the provision of certain collective goods. It is in these areas that Corporate Responsibility fulfils important functions.

If my argument is correct, CR is an important (and hitherto neglected) element in the transition from social democracy and embedded liberalism to market liberalism. CR helps to furnish businesspeople with pragmatic and moral legitimacy in market liberal orders, and especially during processes of economic liberalization. Thus, it provides business with authority in these roles.[12] Corporate Responsibility differs fundamentally from narrow self-interest; but it arises in institutional contexts characterized by (increasingly) narrow, institutionally dis-embedded self-interest: Liberal Market Economies and liberalizing Social / Coordinated Market Economies. Corporate Responsibility's temporal and cross-national variation is thus linked to its function of legitimating economic liberalization and market liberalism. Solidaristic political-economic institutions decrease the likelihood of CR adoption, whereas market-liberal institutions and policies of economic liberalization increase it.

Analytically, institutions provide a good barometer for the rise of CR in different countries – although institutions are themselves subject to retrenchment and erosion, the prevalence of liberal-market as opposed to non-liberal political-economic institutions is a useful measure of the state of market-liberalism in any given jurisdiction, and a general predictor of CR's emergence and prevalence. Rather than solid, invariant, and constitutive of actors' interests and identities, national political-economic institutions have been in a state of flux during recent decades, buckling under, and in some cases failing to survive the tidal waves and torrential currents of global capitalism. The "major recasting of the system of democratic capitalism" referred to by Streeck and Thelen above is the product of agents who, driven by material and ideal interests and powerful systemic dynamics, have subverted the institutions of the post-war compromise and Social Market forms of economic organization. As they have done so, they have embraced Corporate Responsibility.

In a twist on a growing literature that seeks to expose the ideational underpinnings of institutions and of political-economic change, this mid-range theoretical framework emphasizes the salience of political-economic institutions for explaining ideological change.

Both employers and state officials have an interest in compensating for the hardships of liberalization and the weakening of institutionalised social solidarity, legitimating the market vis-à-vis their 'stakeholders' and the electorate, and justifying themselves vis-à-vis their own conscience. Corporate Responsibility functions as a 'filler,' rising as the post-war compro-

[12] For Thomas J. Biersteker and Rodney Bruce Hall, "to have authority, actors must be perceived as legitimate" (Biersteker and Hall, 2002: 204).

mise decays and social market institutions erode. However, powerful as structural and rational-institutional explanations are, Corporate Responsibility cannot be understood in cynical rational-strategic terms. While I argue that Corporate Responsibility is indeed associated with "laissez-faire" political-economic policies, it is not merely a "fig-leaf" for those policies, as Neal (2008) suggests. The logic of appropriateness is no less central to Corporate Responsibility than the logic of consequences. What makes Corporate Responsibility attractive in the context of market liberalism is the fact that it furnishes actors with pragmatic and moral legitimacy, the fact that it is something *other* than narrow instrumental rationality, and the hope it offers of contributing towards the solution of seemingly intractable problems. At the macro-level, the overall variance of CR is consistent with functional logic in which CR is a substitute for institutionalized social solidarity. According to this logic, CR will be more limited in densely-regulated environments than in free market contexts; and as the former approximates the latter, CR will increase. If the gap between private and external costs is greater in Liberal Market Economies than in Social Market Economies, then so is the demand and need for CR. In the words of Geoffrey Heal, there is a

> resource-allocation role for CSR programs in cases of market failure through private-social cost differentials, and also in cases where distributional disagreements are likely to be strong …. [Where] private and social costs are roughly in line and distributional debates are unusual: here corporate social responsibility has little role to play (Heal, 2004: 1)

In other words, while my findings push back against some of the more strident claims made by advocates of ideational and constructivist political economy, I do not wish to put narrowly rational-strategic action in its place. CR substitutes for institutionalized social solidarity in most cases, but not in all.[13] Furthermore, rational-strategic approaches are off the mark when it comes to microfoundations. By and large, actors' engagement in CR cannot be understood in Machiavellian, manipulative or cynical terms. Actors engage in CR for other reasons: because they want to believe in their own goodness and virtuousness in the context of an increasingly complex world.[14] My fieldwork has provided me with abundant evidence that those who view Corporate Responsibility as a mere Machiavellian fig-leaf are wrong. It is not narrow instrumental rationality alone, but material *and* "ideal interests" that motivate and constitute Corporate Responsibility. In this sense, CR is somewhat akin to the "economic ethics" Max Weber wrote about a century ago. Just as in Weber's eyes, the Protestant Ethic provided a foundational impetus to the rise of modern-day capitalism, so Corporate Responsibility can be viewed as the economic ethic of the contemporary era of market liberalism. CR seems close to what Weber described as the "theodicy of good fortune," the need of the privileged to legitimate their own situation.[15] Humans have an enormous capacity to believe that they are doing good. In all Varieties of Capitalism, those associated with capital – whether owners, managers, or employees – want to see their own conduct in this light.[16] These motivations, rather than cynical or Machiavellian rational-instrumental motivations, provide the central impetus for CR.

This is in no way to deny the dynamism and unruliness of capitalism, which is overlooked in static equilibrium accounts such as Hall and Soskice (2001). Wolfgang Streeck's new

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[13] New Zealand is a case in which thoroughgoing, indeed radical liberalization preceded, rather than accompanied, the rise of Corporate Responsibility (Kinderman, 2010).

[14] Ludger Heidbrink (2003) argues that "the success of the responsibility principle stands in a direct relationship to the growing complexity of the modern world." The more difficult responsibility becomes to locate in modern knowledge and communication societies, the more intensively the responsibility principle is propagated (Heidbrink, 2003: 10, 263).

[15] I am grateful to Richard Swedberg for his reflections on this point.

[16] I am grateful to Richard W. Miller for this insight.

monograph *Re-Forming Capitalism* (2009) deserves mention for precisely this reason. On the basis of his trenchant critique of the Varieties of Capitalism literature, Streeck argues that it is necessary to move beyond institutionalism to focus on capitalism itself. Streeck claims that the post-war 'Golden Age' of embedded liberalism was characterized by collective obligations, not voluntaristic commitments, as the newer rationalist literature[17] maintains. During this time, Streeck maintains that capitalism was caged-in, subjected to collective controls and a variety of constraining legislation. As the bases of societal power shifted, capitalism resurfaced and re-surged. But in the place of Milton Friedman's cry that the business of business is business, market-liberal employers chant: 'Free us up so we can do some Corporate Responsibility!' The constraints of the post-war compromise have been loosened in many areas, removed altogether in others. Many of these institutional constraints protected employees, and their removal has resulted in increased disparities in income and life-chances. But the removal of these constraints has also opened up space for human agency. Some of what firms are doing today with CR was done by governments in the previous era. But other aspects of CR are new, and they may not have gotten done in the other world.[18]

Corporate Responsibility takes hold during processes of economic liberalization. But why does it arise at this point, what accounts for the linkage? Moments of systemic crisis can lead to situations of "Knightian uncertainty," in which actors are genuinely uncertain about their interests;[19] but it is unclear whether this was in fact the case.[20] CR may appear to be at odds with the ascendant philosophy of market-liberalism, endorsing as it does more expansive extra-legal commitments of corporations; but where some employers felt initial unease with this idea, they soon became converted and discovered the suppleness and usefulness of voluntaristic business-led Corporate Responsibility. As Luc Boltanski and Eve Chiapello remark, "the spirit of capitalism incorporates schemas other than those inherited from economic theory. These schemas, while they permit the defense of the principle of accumulation in abstraction from all historical specificity, lack mobilizing power" (Boltanski and Chiapello, 2006 [1999]: 20). Corporate Responsibility provides market-liberalism with mobilizing power. How does it do so? Corporate Responsibility endows institutions and actors with legitimacy – not only the instrumental legitimacy required for system maintenance, but moral legitimacy as well.

I argue that Corporate Responsibility plays crucial, though not indispensable legitimatory functions in market society and in transitions towards it: CR legitimates liberal market institutions as well as the political process of moving from social-market to liberal-market institutions. CR legitimates not only individual firms and global capitalism as a whole, but national capitalist systems as well.

In Economy and Society, Max Weber, referred to legitimacy as "the generally observable need of any power … to justify itself" (Weber, 1978: 953). Weber noted: "Not every case of domination makes use of economic means." The members of the administrative staff who are "normally required" for rule

> over a considerable number of persons …. may be bound to obedience to their superior (or superiors) by custom, affectual ties, by a purely material complex of interests, or by ideal (*wertrationale*) motives. The quality of these motives largely determines the type of domination. Purely material interests and calculations of advantages as the basis of solidarity between the chief and his adminis-

17 Hall and Soskice (2001); Iversen and Soskice (2009)

18 I owe this formulation to Michael Schwartz, discussant at the American Sociological Association regular session on Corporate Capitalism in San Francisco, August 9, 2009.

19 Blyth (2002)

20 See Hay's trenchant (2006) critique of Blyth (2002).

trative staff result, in this as in other connections, in a relatively unstable situation (Weber, 1978: 212-213)

Weber's statement that a "belief in legitimacy" can furnish greater stability than "purely material interests and calculations" is no less applicable today than it was when he was writing (Weber, 1978: 213). As James D. Brummer notes, institutional legitimacy can be understood as "a social consensus that supports the institution, gives it legal sanction, and perhaps even gives it special privileges" (Brummer, 1991: 74). Managers are far from oblivious to the need for legitimacy, and management journals contain scores of articles on legitimation strategies.[21] If Corporate Responsibility furnishes business with a greater degree of legitimacy, it is obvious that CR is a desideratum from business's point of view. The more legitimate business and the market are, "the more [they] tend to be taken for granted – and this … makes [them] stronger" (Swedberg, 2005: 6). Following Mark C. Suchman (1995), I will distinguish between pragmatic, moral, and cognitive legitimation, and describe how Corporate Responsibility can contribute towards fulfilling each of these roles.

Suchman defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995: 574). For Suchman, pragmatic legitimacy "rests on the self-interested calculations of an organization's most immediate audiences." Thus, it "boils down to a sort of exchange legitimacy" – a bargained exchange of material interests and calculations between two or more rational agents (Suchman, 1995: 578). Much of what is classified under the "business case" for Corporate Responsibility falls into this category. Pragmatic legitimacy takes many different forms and provides an answer to the question: who does CR compensate, and for what? CR is used in many different areas, including the following: employee training; to help homeless people, and unemployed people seeking work; personnel recruitment and community relations management through corporate volunteering; to pay off those who could stand in the way of a business's projects, for example infrastructure; to pre-empt a public backlash that could lead to new burdensome regulations or threaten a business's 'license to operate'; to comply with the requirements of the rating agencies of institutional investors; or as a means to legitimate or facilitate institutional reforms.

In the UK beginning in the 1970s, Corporate Responsibility fostered entrepreneurship and job-creation in areas hit by large-scale rationalizations and economic restructuring. When firms have to carry out mass redundancies as part of rationalization or industrial restructuring, CR insulates the firms in question from public backlash. More generally, CR can be used to legitimate employers' demands for market-liberal institutional reform. The notion of pragmatic legitimacy suggests that as institutionalized solidarity weakens, as embedded liberalism and the post-war compromise fray and collapse, CR emerges as 'filler.' As economies liberalize, there is progressively more to compensate for.

I wish to emphasize that 'filler' should not be understood only in the literal sense of providing material compensation for the social disruptions caused by liberalization or filling in the cracks left by the lack of a comprehensive welfare state. If CR fills these gaps, it does so very imperfectly. To be sure, CR oftentimes provides workers with better employment prospects and life-chances than would have been the case in the absence of these initiatives, while the companies in question save face, preserving their standing and reputation (at best) and averting or weakening challenges from affected constituents (at worst). The oil company Shell used CR to legitimate itself in the communities in which it was drilling. The supermarket chain Tesco used CR to gain planning consent for new supermarkets. In the German city of Herford, the electricity giant E.ON obtained local planning consent for new high-voltage elec-

[21] Yongvanich and Guthrie (2007);

tricity infrastructure in return for sponsorship of MARTa, a museum of modern art. But moral legitimacy is no less important.

In contrast to pragmatic legitimacy's focus on self-interested calculation, moral legitimacy is grounded on a logic of appropriateness: a belief in the rightness or justness of the cause, rather than on beneficial consequences for its advocates. While moral legitimacy's altruistic grounding "does not necessarily render moral legitimacy 'interest free,'" Suchman maintains that "at its core, moral legitimacy reflects a prosocial logic that differs fundamentally from narrow self-interest" (Suchman, 1995: 579). There can be no doubt of the towering importance of moral legitimacy in the Corporate Responsibility movement. Many, perhaps most people engaged in Corporate Responsibility – inside of firms, intermediary CR organizations / associations, and of course civil society activists – are engaged not for instrumental reasons, but because they believe in the rightness of their cause.[22] In few cases is Corporate Responsibility merely a rationalist-strategic means to the attainment of other ends (preempting regulation, legitimating business and business-friendly economic reforms, and so forth). While moral convictions are Corporate Responsibility's underlying force and motivation, this does not mean that institutions are unimportant for them: some institutional configurations provide managers, entrepreneurs and employees with more space to acquire pragmatic and moral legitimacy through Corporate Responsibility than others.

As we will see, greater institutionalised solidarity tends to reduce the ability of entrepreneurs and managers to exercise and take credit for their actions through CR. One of the peculiarities of Corporate Responsibility is the fact that corporate discretion is indispensable for the attainment of moral legitimacy by the relevant actors. At the core of CR we find the association of liberty and responsibility – a link that has been a cornerstone of political liberalism for centuries.[23] CR transfers this fundamental tenet of political liberalism from the individual citizen to the corporate citizen, to the social institution of the modern corporation.

The third element of Suchman's threefold categorization is cognitive legitimacy. Cognitive legitimacy tends to reinforce belief in the necessity of an institution, leading it to be taken-for-granted or accepted as an inherent part of the order of things. By valorising the corporation, CR promotes the cognitive legitimacy of the corporation and of a market-driven social order. It is well-established that CR promotes the cognitive legitimacy of corporations, the market, and capitalism.[24] Cognitive legitimacy seems close to Gramscian work on political economy

[22] This seems to be more generally true: of scholars studying CR, and of journals associated with the Corporate Responsibility movement. The leading contribution in a recent issue of the *Journal of Corporate Citizenship*, for instance, is titled "A Journal That Makes a Difference." In an interview, the Journal's founder Malcolm McIntosh describes his motivations for the journal: "It's most definitely about seeing the planet as one space. It's about connecting economic, social and environmental issues and impact and performance around the idea that we share one planetary space connected back to the human world of people, making the world a peaceful and socially just place for everybody. That's absolutely fundamental" [Cooperider and Fry (2009): 3].

[23] While this claim is defensible for individual citizens, it seems problematic when applied to firms, for obvious reasons. Whereas a citizen must be free in some sense to perform his or her duties in a liberal democracy, a firm's freedom – or subjection to the pressures and vicissitudes of free market competition – may impede its ability to perform socially useful or necessary tasks.

[24] Manokha (2006). L.E. Preston, for example, remarks that "The great bulk of corporate philanthropic activities has no connection whatsoever with profit seeking behavior or any other conventional business management goal. It does, however, have a great deal to do with the preservation of the social system within which the corporation operates" (Preston, 1986: 215). H.J. Glasbeek argues that Corporate Responsibility is "The Latest in Maginot Lines to Save Capitalism" (Glasbeek, 1987).

and on CR.[25] Without denying the importance of the cognitive legitimation function of CR, I do not foreground it in this paper.

As we will see in the sections below, liberalized market-driven economies provide a greater supply and demand for pragmatic and moral legitimacy via Corporate Responsibility than do their Social Market Economy counterparts. As Social Market Economies liberalize, the demand for pragmatic and moral legitimation, and for CR, increases. This does not imply that the relationship between moral and pragmatic legitimacy within CR is devoid of tension. Though pragmatic and moral legitimacy are the twin motors of Corporate Responsibility, this relationship is not necessarily conflict-free, as the many struggles to prioritise moral over pragmatic concerns and vice-versa demonstrate. Such contests can often be found within CR associations and within companies. The section below discusses the relationship between Corporate Responsibility and Varieties of Capitalism. This paper begins in the late 1970s because that period simultaneously marks the dissolution of the post-war compromise of embedded liberalism, and the rise and institutionalisation of modern-day CR. Since the detailed empirical narrative can be found below, my account in this section is stylised.

Corporate Responsibility is complementary to market-liberalism, and its emergence during the past thirty years is connected with the erosion of the post-war social compromise known as the ‘Golden Age’ and ‘embedded liberalism,’ and its replacement by market-liberal forms of economic organization. It is well known that the post-war Golden Age was a period of rapid economic growth, full employment, and declining levels of inequality. Standards of living and life-chances for the vast majority of the population improved dramatically. Trade-union power, market-correcting regulation, extensive welfare-state provision of socially primary goods, and corporate governance regulations strengthened workers’ voice at the detriment of owners’ and managers’ discretion.

Beginning in the 1970s, capitalists’ animal spirits were progressively freed from the institutional fetters that had been imposed on them in the preceding decades. In Wolfgang Streeck’s memorable formulation:

> Capitalist firms and those who own and run them can only for so long be treated as patient cogs in a collectively serviceable machine. Then, their true nature must come to the fore again, revealing them to be the live predators that they are, for which politically imposed social obligations are nothing but bars of a cage bound to become too small for them and for their insatiable desire for the hunt (Streeck, 2009: 234-235)

According to Streeck, capitalists

> are the modern, nontraditionalist economic actors par excellance: they never rest in their perennial rush to new frontiers. This is why they are *fundamentally unruly*: a permanent source of disorder from the perspective of social institutions, relentlessly whacking away at social rules, continuously forcing rulers to rewrite them, and undoing them again by creatively exploiting the inevitable gap between general rules and their local enactment (Streeck, 2009: 241)

In contrast to those who view CR as the re-embedding of global liberalism, I argue that the rise of CR is associated with the ‘unleashing of capitalism’[26] and the disembedding of the market from society: with the disciplining of labor unions, the decentralization of wage bargaining, declining statutory tax rates and levels of regulation, welfare state retrenchment, and growing levels of inequality.[27] The rise of CR is part of the same process as the shedding of

[25] For example Sklair (2001).

[26] Glyn (2006)

[27] Androniki Apostolakou and Gregory Jackson concur with this view. They argue “that CSR practices may be emerging as a substitute for formal institutions rather than as a mirror of strong stakeholder involvement” (2009: 2).

institutionalized social obligations. In other words, CR is endogenous to the decline of the post-war compromise and the rise of liberal market varieties of capitalism in affluent countries during the past thirty years. Curiously, very few scholars make this link in the literature, though some (such as Hanlon 2008[28]; Shamir 2008)[29] gesture towards it. The following section discusses how the rise of CR is connected to the transformation of advanced industrial countries' formal and informal structures of institutionalized social solidarity.

I have claimed that the rise of CR is linked to the decline of institutionalized social solidarity and institutional diversity in contemporary capitalism. How does this relate to two of the major theoretical approaches in the social sciences, rationalism and culturalism? Neither thoroughbred rationalist nor clear-cut constructivist nor norms-based theoretical frameworks are up to the task. What is distinctive about Corporate Responsibility is its hybridity, its innovative connection of instrumental reason and value rationality. Those who view Corporate Responsibility as a mere Machiavellian fig-leaf are wrong. There are plenty of examples of CR as cynical manipulation and clever public-relations facades. But many of the central proponents of CR are sincere. How much traction their values have in practice is a legitimate (and important) question to ask; dismissing this question out of hand will not do. It is not narrow instrumental rationality alone, but material *and* "ideal interests" that motivate and constitute Corporate Responsibility. One of Corporate Responsibility's most essential functions is to constitute businesspeople as responsible moral agents. Those in the engine rooms of contemporary capitalism – whether owners, managers, or employees – want to see themselves as serving the common good. In this sense, CR is somewhat akin to the "economic ethics" Max Weber wrote about a century ago. Just as in Weber's eyes, the Protestant Ethic provided a foundational impetus to the rise of modern-day capitalism, so Corporate Responsibility can be viewed as the economic ethic of the contemporary era of market liberalism.

In its presently dominant incarnations, CR is structurally biased towards Liberal Market forms of economic organization. Not only did CR originate in the United States; CR's emphasis on corporate discretion, voluntarism and the individual firm as the primary actor suggests that CR has a better 'fit' with deregulated market environments than with economies with dense and stringent regulation, extensive welfare-state provision of socially primary goods, or corporate governance regulations that institutionalize voice at the expense of owners' or managers' discretion. Digging deeper, to the core of CR, one finds the association of liberty and responsibility – an association that has been a cornerstone of liberalism for centuries.[30]

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28 Gerard Hanlon "suggests that CSR does not represent a challenge to business … CSR is not a driving force of change but rather an outcome of changes brought on by other forces. More particularly, it is the result of a shift from a Fordist to a post-Fordist regime of accumulation at the heart of which is both an expansion and a deepening of wage relations" (Hanlon, 2008: 157). Like Hanlon, I view CR as "an outcome of changes brought on by other forces" and as "a legitimating ideology" (2008: 170). Yet Hanlon provides us with little empirical evidence to support his argument.

29 Ronen Shamir addresses the shift from the post-war regime of "addressing structural conditions and redistributive arrangements" to "politics via markets" (Shamir, 2008: 13; 14). Shamir clarifies some of the implications of the shift including "a shift from deontological ethics to teleological (consequentialist) ethics that subordinate socio-moral sensibilities to the calculus of possible outcomes, to the tests of cost-benefit analyses and to the criteria of reputational risk management" (14). He argues that "the process of moralization [of markets] is not an 'external' force bearing on and 'correcting' the process of economization … rather, the process is one of framing moral issues through the foundational epistemology that dissolves the distinction between market and society and, furthermore, encodes the social as a specific instance of the economy" (2008: 3;14). While valuable, Shamir's insights are situated at a high level of theoretical abstraction. I operationalize them in the changing institutional landscape of contemporary capitalism.

30 While this claim is defensible for individual citizens, it seems problematic when applied to firms, for obvious reasons. Whereas a citizen must be free in some sense to perform his or her duties in a

CR, in other words, is not the neutral signifier of responsible or externality-free business practice it is often taken to be. CR not only encompasses attempts to deal with intractable problems facing the world, CR also gives profit-oriented companies a major discretionary role in the allocation and distribution of 'social primary goods.' Instead of being voluntary and left to the discretion of companies, standards can be enforced by hard law. People can act out of a sense of duty, rather than because the action will benefit them. In addition, forms of corporatism or collaborative governance may provide firms with less leeway for voluntary engagement while dispersing power more equally among stakeholders, for example empowering trades unions or works councils, thus reducing the ability of the owner(s) and of management to take credit for the activities in question. What are the implications of this for the study of comparative capitalism?

Not one, but multiple, overlapping causal mechanisms connect Corporate Responsibility with economic liberalization and a market-liberal order. Corporate Responsibility is complementary to market-liberalism, and its emergence during the past thirty years is closely connected with the erosion of the post-war social compromise known as the 'Golden Age' and 'embedded liberalism'. During the age of embedded liberalism, figures such as British Labour MP Anthony Crosland believed that a more benevolent form of capitalism had emerged. There was full employment; levels of inequality declined. Standards of living and life-chances for the vast majority of the populations in affluent countries improved dramatically.

What is relevant for my argument is that the transformations of the 1980s and 1990s have seen not only the weakening, retrenchment and dismantling of many of the institutions underpinning the post-war order, but also a fundamental change in the *quality*.[31] I will refer to these institutions using the term institutionalized solidarity, by which I mean redistributive and regulatory institutions including the welfare state, government regulation (especially of labor markets), and trades unions, forms of business organization which "transcend maximization strategies and adjust them to collective interests beyond maximization" (Höpner, 2007: 3); and social citizenship rights that decommodify labour, protecting wage earners from the vagaries of the market. Such institutions have a solidaristic normative core, which was a cornerstone of the post-war compromise in liberal democracies.[32] While these institutions have been weakened during the past thirty years, there is still spatial variance: Social Market Economies'[33] formal structures of institutionalized solidarity are in some respects functionally equivalent to the voluntaristic CR initiatives of Liberal Market Economies.

Wolfgang Streeck (2009) contrasts the Durkheimian institutions of classical sociology, which he sees as exemplifying the post-war order, to rational choice institutions, Coasian firms, and transaction-cost economics, in short Williamsonian institutions of Market Liberalism:

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liberal democracy, a firm's freedom – or subjection to the pressures and vicissitudes of free market competition – may impede its ability to perform socially useful or necessary tasks.

31 Martin Höpner, Alexander Petring, Daniel Seikel and Benjamin Werner (2009).

32 Robert Goodin, Bruce Headey, Ruud Muffels and Henk-Jan Dirven conceptualize these interdependent institutions as "welfare regimes." Welfare regimes refer "to that larger constellation of socio-economic institutions, policies and programmes all oriented toward promoting people's welfare quite generally." Welfare regimes "bunch together particular values with different programmes and policies. Welfare regimes include the transfer-oriented welfare-state sector, the tax sector, and the productive sector of the economy" (1999: 5; 4; 5).

33 Jonas Pontusson distinguishes between „Liberal Market Economies" such as the United Kingdom and the United States and „Social Market Economies" such as Germany and Sweden. As articulated by Pontusson, SMEs „are distinguished by densely organized business communities ... strong unions and highly institutionalized collective bargaining systems .... [and] extensive public provision of social welfare and employment protection (2005: 17).

Figure 1

Durkheimian	Williamsonian
Authoritative organization	Voluntary coordination
Creation of obligations	Reduction of transaction costs
Public order	Private ordering
Government	Governance
Obligational	Voluntaristic
Exogenously imposed	Endogenously contracted
Third party enforcement	Self-enforcement

(Streeck, 2009: 155)

The basic logic linking CR to Williamsonian institutions is simple. The needs of the economy and society can be satisfied by a binding institutional framework, or through a less-binding framework plus the voluntary engagement of the private sector and civil society. In the former case, compensation is built into a system's structure; in the latter, it is built into the structure of the system's units. The fact that in a market liberal framework, many social and economic needs are not satisfied by binding institutional frameworks increases the demand and necessity for other actors, including the private sector, to contribute towards their provision. CR compensates for the failures and gaps of the market in satisfying material needs and providing symbolic legitimacy. The erosion of institutionalised societal solidarity is accompanied by a different principle, firms' voluntary engagement for these ends. CR is thus complementary to market liberalism in the following sense: "components of a whole mutually compensate for each other's deficiencies in constituting the whole" (Crouch, 2005: 50).

Complementarity, in other words, must be conceived of as institutional difference. Hall and Soskice conceive of complementarity as a matter of institutional similarity (Campbell and Petersen, 2007: 326). An economy is either based on market- or non-market forms of coordination in different spheres and social sub-systems. Although Hall and Soskice concede that "even in liberal market economies, firms enter into some relationships that are not fully mediated by market forces" (2001: 8-9), their theoretical framework is ill-equipped to deal with CR, which functions according to the logic of institutional difference. Corporate Responsibility arises in liberal market contexts precisely because it is *different* from the prevailing institutional framework; and it arises in social market contexts as they become more, not less, market-oriented. If Corporate Responsibility was complementary to solidaristic social institutions in Social Market economies, it would arise earlier, and in greater quantity in these countries than in Liberal Market economies. As we will see below, this is simply not the case.

The broad strokes of variance are captured well by functionalist accounts. Corporate Responsibility arises to satisfy material and symbolic needs that are not, or are no longer satisfied by existing institutional arrangements. Functional approaches generate predictions across different regime types. Comparing different varieties of capitalism, there is more to compensate for in Anglophone Liberal Market Regimes than in Social Market Economies with more extensive collective welfare provision. Conversely, the solidaristic institutions of

Social Market economies decrease the need for voluntary corporate activity.[34] Corporate social policy will tend to be more extensive in Anglo-American countries with more residual welfare states than in northern and continental Europe, as Neil J. Mitchell recognizes: “Corporate social responsibility … is underdeveloped in most European corporations, because in Europe the state is traditionally viewed as the source of social policy (1989: 145).

Concerning variance over time, functionalism predicts that as embedded liberalism and the post-war compromise fray and collapse, CR emerges as ‘filler.’ As economies liberalize, there is progressively more to compensate for: when firms have to carry out mass redundancies as part of rationalization or industrial restructuring, CR insulates the firms in question from public backlash. Furthermore, CR can be used as a ‘bargaining chip,’ to legitimate employers’ demands for neoliberal institutional reform. This is similar to the use of bankruptcy law described by Bruce Carruthers, Sarah Babb and Terence Halliday: “The incentive to use bankruptcy law to intervene in the economy increases as other policy tools are set aside …. changes in bankruptcy law help to dampen the shock of neoliberalism. Rather than simply contradicting or undercutting neoliberalism, the new bankruptcy regime helps to save neoliberalism from itself” (2001: 119). The functionalist hypothesis regarding variance over time is therefore:

H1. As economies liberalize, Corporate Responsibility will become more prominent; economic liberalization and CR co-evolve.

But what mechanisms underlie this process? I argue that economic liberalization is complementary to Corporate Responsibility. Thus, the rise of Corporate Responsibility is endogenously linked to the decline of the postwar compromise and the rise of liberal market varieties of capitalism in affluent countries during the past thirty years. Put differently, the rise of CR is connected to the transformation of advanced industrial countries’ formal and informal structures of institutionalized social solidarity. Daniel K. Finn’s (2006) metaphor of “fences” is useful in this context. For Finn, “fences” constitute markets and define what activities may take place within them. The transition from the post-war compromise to market- or market liberalism can be thought of as shifting these boundaries, expanding the sphere of markets and reducing – though not eliminating – the de- and non-commodified space of institutionalised social solidarity.

I have suggested that the rise of CR in the contemporary era is connected to the transition in the international economic environment away from the post-war embedded liberalism compromise. Here, I focus on nationally specific institutional variables such as the size of the welfare state and the extent to which the business community is organized in ways that incorporate into business operations collective interests beyond the maximization of profits. The posited relationship between these two dimensions, the role of the state and business organization, is summarized in the chart below. The upper left quadrant does not have an acute need for CR, since the bulk of externalities and social compensation are taken care of by the welfare state and the institutions of organized capitalism. By contrast, in environments with a residual welfare state and disorganized capitalism (the darkly shaded box in the lower right quadrant), Corporate Responsibility fulfils some of these tasks. The lightly shaded quadrants are ambiguous, ‘in between’ these pure predictions.

[34] David T. Beito (2000)

Figure 2

	Expansive Welfare State	**Residual Welfare State**
Organized Capitalism	*Little or no Corporate Responsibility*: limited potential to acquire pragmatic and moral legitimacy through CR	*Some CR*
Disorganized Capitalism	*Some CR*	*Corporate Responsibility*: full potential to acquire moral and pragmatic legitimacy through CR

Corporate Responsibility arises to satisfy material and symbolic needs that are not, or are no longer satisfied by existing institutional arrangements. There is more to compensate for in Anglophone Disorganized Liberal Market Regimes than in Organized Social Market Economies with more extensive collective welfare provision. Conversely, the solidaristic institutions of Social Market economies decrease the need for voluntary corporate activity.[35] From the aforementioned discussion follow the third and fourth hypotheses concerning variation across regime types:

H2. Liberal Market Varieties of Capitalism develop Corporate Responsibility earlier than Coordinated/Social-Market Varieties of Capitalism

H3. Liberal Market Varieties of Capitalism have more Corporate Responsibility than Coordinated/Social-Market Varieties of Capitalism

H4. Institutionalized social solidarity will be inversely related to CR: the higher the level of institutionalized social solidarity, the later the onset, and the lower the quantity of CR. The lower the level of institutionalized social solidarity, the earlier the onset of CR, and the greater its quantity.

Most existing comparative CR literature is cross-sectional. Comparing the performance of different countries on particular CR measures is a plausible research strategy; but it is biased in its neglect of temporality and history. To get at this dimension of the institutionalization of CR over time in a number of countries, I use a novel proxy: business-led Corporate Responsibility coalitions and associations. CR associations track the institutionalization of Corporate Responsibility in different countries over time. Associations are barometers for the state of CR in the country in which they are located. The existence of such an association, and the fact that firms are willing to join it, is evidence that the idea of CR has 'come of age' in a given country.

3. Corporate Responsibility Associations

Operationalizing the amorphous concept of Corporate Responsibility across time and space presents a challenge. The business-school literature provides little guidance, as it consists

[35] David T. Beito (2000)

principally of case studies of specific companies and of cross-sectional work based on firm-level surveys. The analytical primacy of firms and of firm-level data in the study of CR is easy to understand: without corporations there is no Corporate Responsibility. Moreover, the reputation of individual firms is a powerful motivator of CR. Firm-level data sheds light on how and why individual companies engage in CR. But while important, this data has several major limitations.

The first problem with firm-level data is that the outcomes or answers to the questions posed are extremely sensitive to the particular sample of companies and the particular measure or indicator of Corporate Responsibility employed. Thus, both Gjølberg (2009a) and Apostolakou and Jackson (2009) are interested in the institutional sources of CR's cross-national variation, but come to diametrically opposed conclusions using different firm-level indicators. Second, quantitative firm-level indicators exist for very recent years only, resulting in a presentist bias: genuinely historical studies are not possible on this basis. The third problem with data from individual firms is that precisely because their individual reputations are on the line, firms and rating agencies are typically circumspect about the type of data they are willing to give out. Given these limitations of firm-level data, is there an alternative measure that can elucidate the institutionalization and growth of Corporate Responsibility at the national level; the collective action of firms for CR; the role of the state and of public policy, the lobbying, institutional and regulatory preferences of national and international business communities in the area of CR, and the stance of trade unions and other social actors towards Corporate Responsibility?

An examination of business-led Corporate Responsibility coalitions and associations can generate these insights and more; they are my proxy for CR at the national level. In this paper, Corporate Responsibility associations are non-profit organizations with a voluntary corporate membership, membership dues, and a mandate to advance the cause of Corporate Responsibility. These networks or collectivities of firms committed to CR are not only networks as structures but also networks as agents (Kahler, 2009). With few exceptions, membership is open to any firm that cares to join. And it is very rare for CR associations to throw out members. Rather, the associations work together with their membership to advance the cause of CR on a voluntary and mutually beneficial basis. Virtually all OECD countries have such an organization; some countries have more than one.[36] In addition, a much smaller number of CR associations seek to advance the cause internationally or globally.

Though scholars to date have paid scant attention to these organizations, I argue that they are indeed a proxy – by no means the only indicator, but a plausible and defensible indicator – for the state of CR in a given country at a certain time.[37] Their programmatic orientation and coloration are highly diverse, encompassing community involvement, social engagement, ecological sustainability, CSR, and Corporate Citizenship. CR associations typically bridge the global and national level – their membership include the largest publicly

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[36] France has two (ORSE and IMS Entreprendre pour la Cité), as does Spain (Club de Excelencia en Sostenibilidad and Forética), Italy (Impronta Etica and Sodalitas), and Germany (Econsense and UPJ). The UK has Business in the Community and Scottish Business in the Commmunity. Denmark is one country where my indicator has problems: the Copenhagen Center, founded in 1998 and discontinued in the mid-2000s, does not qualify because of it is exclusively government-funded and lacks a voluntary corporate membership paying membership dues.

[37] This indicator is obviously inadequate to account for local, regional, and supranational developments. Its usefulness is obviously premised on the assumption that states remain important loci for determining the institutional environment of business. As Colin Crouch (forthcoming, quoted in Amaeshi 2008) observes: "Local specialisms that depart from the logic of a national system … suggest that the nation state is not necessarily the most important level for determining the institutional environment of business."

traded firms in the world – with localized and culturally and geographically specific criteria of legitimacy. Associations supplement firm-level studies in useful ways. As collective entities, CR associations are intermediaries and brokers between business, civil society, the state and the broader public; they serve their members' interests as well as those of wider society.[38] CR associations can be understood as an element of the (hitherto understudied) 'social case' for Corporate Responsibility (which is not to deny that CR associations represent the interests of their members).[39] In general, CR associations are catalysts, facilitators and motors of responsible business practice.

CR associations provide a platform for the exchange of 'best practice' through peer-pressure, in addition to functioning as 'think tanks' and consultancies for the CR activities of their members. To varying degrees, they challenge their members to attain ever-higher levels of 'responsibility,' social engagement, and minimization of negative and maximization of positive externalities. Many, though not all CR associations organize annual award schemes for the most responsible companies. The staffs of these associations are typically composed of institutional entrepreneurs who see it as their duty to make the world a better place. The fact that association members support the associational infrastructure for Corporate Responsibility in general, including the CR activities of their competitors, strengthens the case for viewing associational membership as one element (among many) of responsible corporate conduct.[40] While it is difficult to determine the effect that CR associations have on the conduct of their member companies, it can be quite substantial. The fact that in the end, the member companies themselves take credit for whatever progress they have made reflects the exchange relations between CR associations and their members. The overwhelming majority of companies that score highly in the CR league tables are members of CR associations, and associations' membership generally comprises the "inner circle" of national and international business elites.[41]

There is one additional reason for focusing on CR associations: they provide an insight into business's collective lobbying activities. Associations' mandate is typically to lobby their own members to be good corporate citizens, but they are often also involved in lobbying the state when it threatens to mandate responsibility. Associations highlight a level of political action above the level of individual firms, similar to what Michael Useem has referred to over twenty years ago as "the logic of classwide benefits, involving considerations that lead to company decisions beneficial to all large companies, even where there is no discernable, direct gain for the individual firm" (Useem, 1984: 5). By looking at associations' lobbying stance on issues of mandated regulation, we can contribute to understanding this important, but neglected, aspect of the "market for virtue." As David Vogel remarks, "the definition of corporate social responsibility needs to be redefined to include responsibilities of businesses to strengthen civil society and the requirement that all firms act responsibly (Vogel, 2005: 172).

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38 William J. Baumol argues that "for business firms [the provision of public goods] is often a matter which can only be dealt with collectively, by volunteer groupings of firms rather than by the individual enterprises. For it is only such groupings of firms that can provide resources sufficient to make the difference" (1970: 19).

39 A shortcoming of the current CR literature is its neglect of the 'social case.' The vast majority of extant studies of CR ask: 'what are the benefits of CR for companies? Are companies which engage in CR more profitable than their counterparts which do not?' Though undoubtedly important from the perspective of employers and business schools, in adopting the point of view of business, these questions neglect the impact of CR on societies – the 'social case.'

40 Campbell (2007)

41 Useem (1984)

There are also pragmatic reasons for focusing on CR associations. They tend to be less circumspect than firms when it comes to giving out information about their activities. Whereas firm-level representatives are heavily guarded and provide highly scripted responses, several associations have provided me with full unrestricted access to their internal correspondence, financial and governing documents. And whereas several association representatives have told me that their own members provide them with inaccurate or misleading information concerning their CR activities and performance, intermediary organizations are less prone to do so than individual companies.

Associations are barometers for the state of CR in the country in which they are located. The existence of such an association, and the fact that firms are willing to join it, is evidence that the idea of CR has 'come of age' in a given country. The founding dates of CR associations vary considerably across Europe and the OECD – from the beginning of the 1980s in the UK to 2007 in Luxembourg.[42] To provide one illustration of the use of associations as proxies, a comparison of U.K. and German CR associations reveals the following differences: the U.K. association 'Business in the Community' was founded at the beginning of the 1980s, whereas the corresponding German association 'Econsense' was founded nearly two decades later, in 2000. In 2007, Business in the Community had over eight hundred corporate members, whereas Econsense had twenty-five. Though these data must be interpreted with caution,[43] they seem to confirm general pronouncements in the secondary literature of the U.K.'s status as a European if not global CR 'leader,' and of Germany's status as a CR 'laggard' among large affluent countries.

When it comes to amorphous and rapidly changing subject matter such as Corporate Responsibility, trade-offs are inevitable. Most current work stresses the dynamism of the concept and practice; but in so doing, it underestimates the historical continuity between what firms are doing today and what they did decades ago. A focus on the establishment and growth of CR associations compensates for the presentist bias in the current literature. Corporate Responsibility is a moving target. But while CR is dynamic and changing, an examination of CR associations shows that there is substantial continuity between today's rhetoric and practice and that of twenty years' hence.

In addition to the establishment date, size, and extent of activities, an association's membership levels provide another useful indicator of the state of CR in a given country at a given time. Like firms' membership in CR initiatives such as the Global Reporting Initiative or the Global Compact, membership in national CR associations is far from a guarantee of corporate virtuousness. However, entailing as it typically does a higher level of external scrutiny of their own activities, for example through the prodding of association staff, association membership is a plausible indicator of the state of CR in a given country. While adjustments must be made for the objectives of an association and the size of its member companies, ceteris paribus, the more firms in a given CR association, the further the state of CR in a given jurisdiction.

I will focus on one aspect of CR associations: their founding dates. The founding dates of CR associations vary considerably across Europe and the OECD – from the beginning of the

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[42] Although the United States is widely acknowledged as the 'pioneer' of CR [see Bowen, (1953)], the contemporary American CR association at the national level – Business for Social Responsibility (BSR) – was only founded in 1992, a decade later than the U.K.'s Business in the Community. BSR's comparatively late founding date reflects the decentralized nature of the United States and the need to contextualize the establishment date of CR associations.

[43] One should note, in particular, that Econsense's membership, though small in number, is composed of some of the largest publicly traded companies in Germany, including: Deutsche Bank, BASF, Siemens, VW, DaimlerBenz, BMW, E.ON., Siemens, SAP. A more detailed discussion follows below.

1980s in the UK to 2007 in Luxembourg.[44] If the founding date of a CR association precedes the establishment of a corporate membership-led organization, I use the latter date, not the former; where there is more than one national CR association in a given country, I use the earliest founding date. The following is a partial list:

FIGURE 3

COUNTRY	**YEARS TO FOUNDING (1980=0)**	**YEAR**
UK	2	1982[45]
France	6	1986
Sweden	7	1987
USA	12	1992
Hungary	12	1992
Czech Republic	12	1992
Canada	15	1995
Italy	15	1995
Norway	16	1996
Slovakia	17	1997
New Zealand	18	1998
Bulgaria	18	1998
Spain	19	1999
Ireland	20	2000
Germany	20	2000
Netherlands	20	2000
Switzerland	20	2000
Finland	20	2000
Greece	20	2000
Poland	20	2000
Belgium	21	2001
Portugal	22	2002
Austria	25	2005
Australia	25	2005
Luxembourg	27	2007

Figure 4 shows the number of OECD countries with a national CR association between 1980 and 2007. The clustering of a whopping seven countries on the year 2000 lends strong prima facie support for the salience of mimicry and diffusion. But does that mean that there is no systematic relationship between institutional variables and the time of Corporate Responsibility institutionalization?

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44 Although the United States is widely acknowledged as the 'pioneer' of CR [see Bowen, (1953)], the contemporary American CR association at the national level – Business for Social Responsibility (BSR) – was only founded in 1992, a decade later than the U.K.'s Business in the Community. BSR's comparatively late founding date reflects the decentralized nature of the United States and the need to contextualize the establishment date of CR associations.

45 Business in the Community, the UK's leading business-led Corporate Responsibility coalition, was incorporated on 01 June 1981 and fully registered as a company limited by guarantee on 2 March 1982.

FIGURE 4

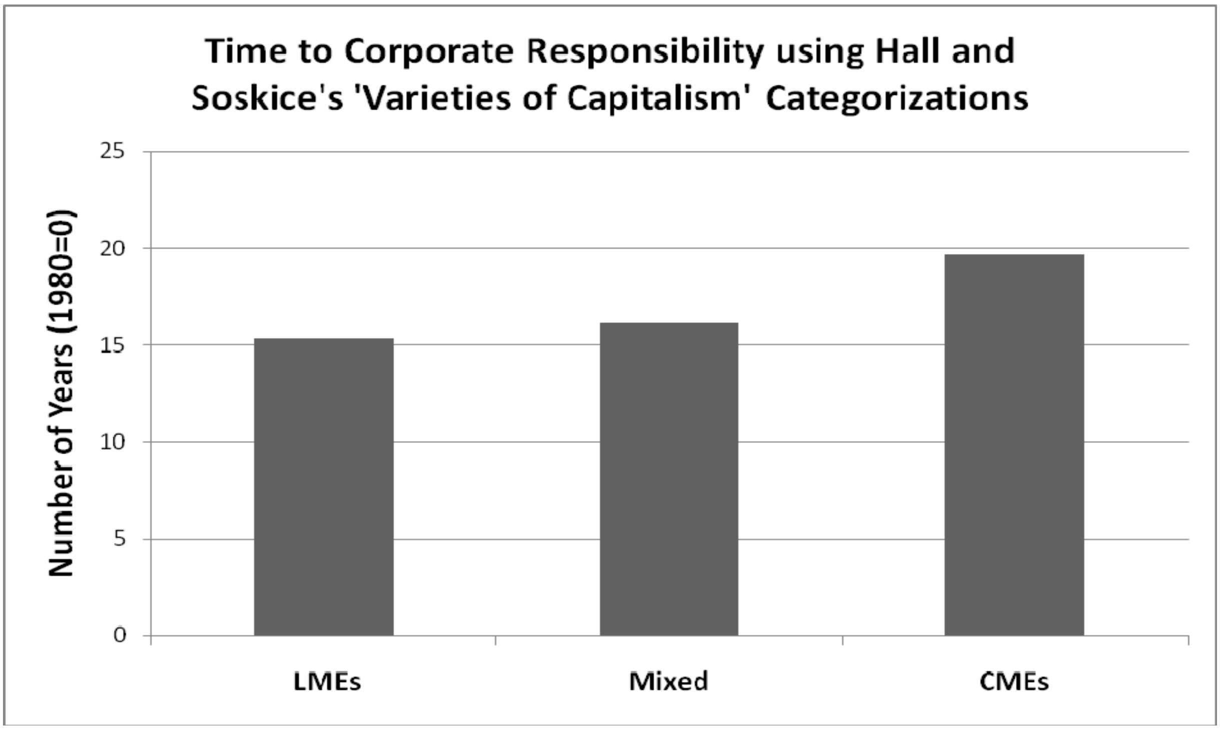
Source: author's compilations and codings, see table 1 above.

4. Findings: CR and Comparative Capitalism

The comparative capitalisms literature does not typically foreground institutions of social solidarity, but it is clear that these institutions play a weighty role in motivating this literature: 'can non-liberal market economies survive or resist pressures of erosion and convergence towards the market-liberal norm?' According to this view, liberal-market or market-based economies are more likely to have CR, and to have more of it, than Social Market or Coordinated Market Economies; and as the latter liberalize, they are increasingly likely to 'get' Corporate Responsibility. The categorizations of the comparative capitalism literature are also useful in that they allow us to remove some of the ambiguous cases (for example, from Eastern Europe), and focus on the categories of central theoretical interest.

The bar graph below (figure 5) shows the time to CR in Liberal and Coordinated Market Economies as defined by Peter Hall and David Soskice (2001). In addition, I have included a third category, Mixed Market Economies, composed of countries in Mediterranean and Eastern Europe and in Asia which do not clearly fit into Hall and Soskice's LME or CME categorization.

FIGURE 5

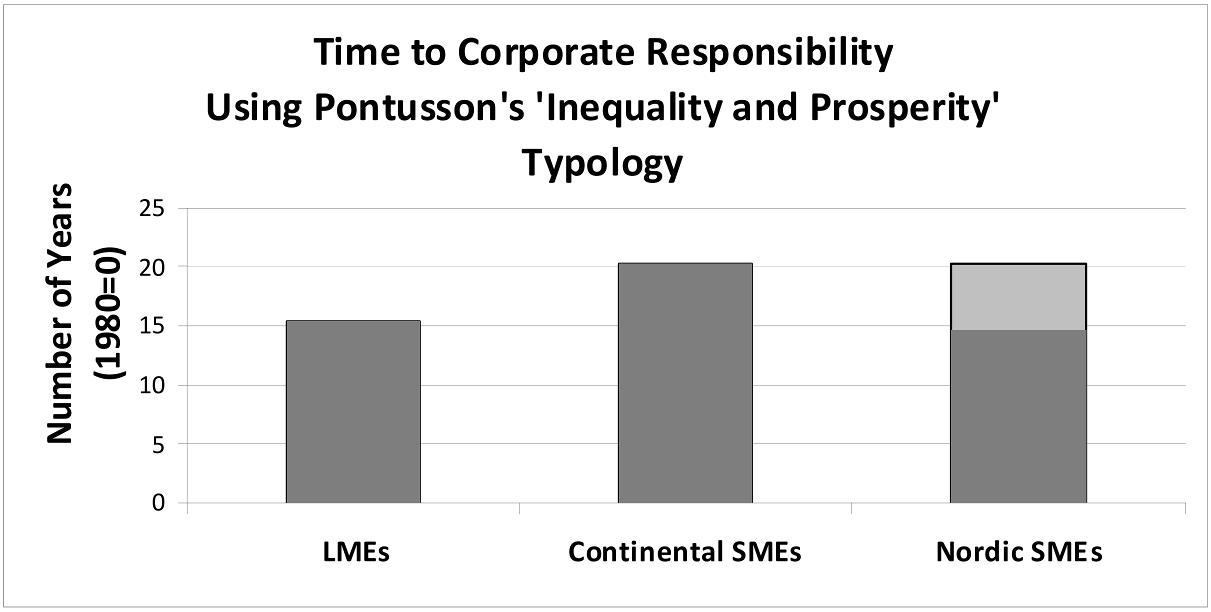


Source: calculated using data in Figure 3 and Hall and Soskice's categorizations

A divide is apparent between LMEs and Mixed Market Economies on one hand, and CMEs on the other. With 1980 as year 0, Liberal Market Economies get CR after 15.3 years, Mixed Market economies after 16.1 years, and Coordinated Market Economies after 19.66 years. On average, CR is institutionalized more than four years earlier in LMEs and MMEs than in CMEs – in the mid-1990s rather than at the turn of the millennium. This evidence seems to corroborate the claim that there is a connection between political-economic/institutional change and Corporate Responsibility.

Though widely discussed, Hall and Soskice's categorization of advanced capitalist countries into Liberal and Coordinated Market Economies has been criticized on many different grounds. One critique is that the LME/CME dichotomy is insufficiently nuanced to account for the diversity of modern capitalism. For this reason, I offer two alternative categorizations. The first, by Jonas Pontusson (2005), distinguishes between Nordic Social Market Economies, Continental Social Market Economies, and Liberal Market Economies:

FIGURE 6



Source: calculated using data in Figure 3 and Pontusson's categorizations

As above in Hall and Soskice's categorization, a gap is apparent between the Liberal Market Economies, where Corporate Responsibility is institutionalized after 15.3 years, and Continental Market Economies, which come in at 20.2 years, nearly five years later. The timing of Nordic SMEs varies between an early 14.6 years and a late 20.3 years, depending on the coding of the Swedish case.[46]

Bruno Amable's *The Diversity of Modern Capitalism* (2003) offers a third typology, one of the most fine-grained to date. On the basis of a cluster analysis of numerous social and economic realms, Amable divides advanced capitalist countries into Market-based, Asian, Mediterranean, Continental European and Social Democratic capitalism. Though less parsimonious, this typology captures of the diversity and heterogeneity of modern capitalism much better than Hall and Soskice. What results do these categorizations produce when applied to CR? The bar chart below shows the time to CR for each category with at least two observations.[47]

Once more, Market-based capitalism is the forerunner. With 1980 as year 0, CR is institutionalized in Market-based economies after an average of 13.5 years, followed by Mediterranean capitalism with 19 years and Continental European Capitalism at 19.55 years. As above, the values of Social democratic capitalism vary depending on how one codes Sweden. If Sweden is coded as 1987, Social democratic counties are tied with Market-based

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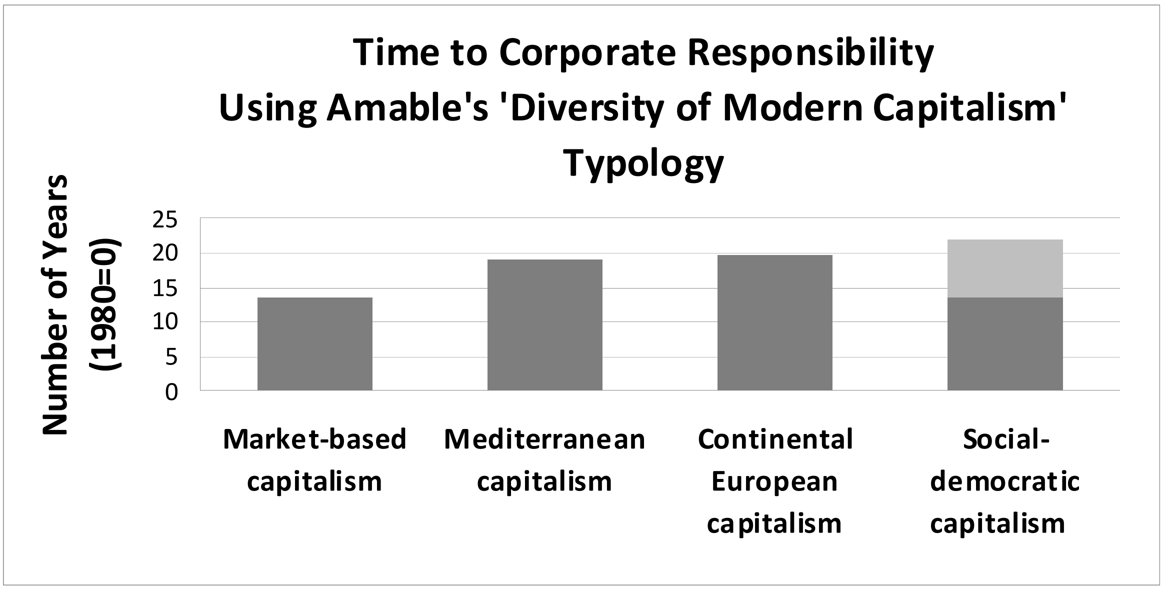
[46] Sweden is a difficult case to code. Swedish Jobs and Society began operating with a corporate membership in 1987, and CR Sweden was founded in 2004 (in fact, CR Sweden was established in part by Swedish Jobs and Society). Like Business in the Community in the UK, after which it was modeled, Swedish Jobs and Society promotes entrepreneurship and the founding of businesses in economically depressed areas. However, from its earliest years, Business in the Community became involved with a myriad of other Corporately-Responsible activities, whereas Swedish Jobs and Society remained committed to job and employment creation, a narrower mandate than is customary for CR associations. Because of this ambiguity, I have coded Sweden as both 1987 and 2004 in the following figures.

[47] Thus, the category of "Asian capitalism" with only one country observation was omitted.

capitalism at 13.5 years; if Sweden is coded as 2004, Social democracy comes in behind Continental European Capitalism at 21 years.

Given the small number of countries in the Social democracy category (two, Sweden and Finland) and the coding questions concerning Sweden, I will focus on the other comparison of most salience to the argument of this thesis, between Market-based and Continental European capitalism. According to Amable's schema, the gap between the onset of CR in Market-based economies and their Continental European counterparts grows to 6 years (mid-1993 versus mid-1999), proving even stronger support for my argument than Hall and Soskice (see figure 7 below):

FIGURE 7



Source: calculated using data in Figure 3 and Amable's categorizations

Whether using Hall and Soskice's, Pontusson's, or Amable's categorization, there is a persistent and significant difference in the timing of the institutionalization of Corporate Responsibility between Liberal- and Coordinated, Liberal- and Social Market, and Market-Based and Continental European capitalist economies.

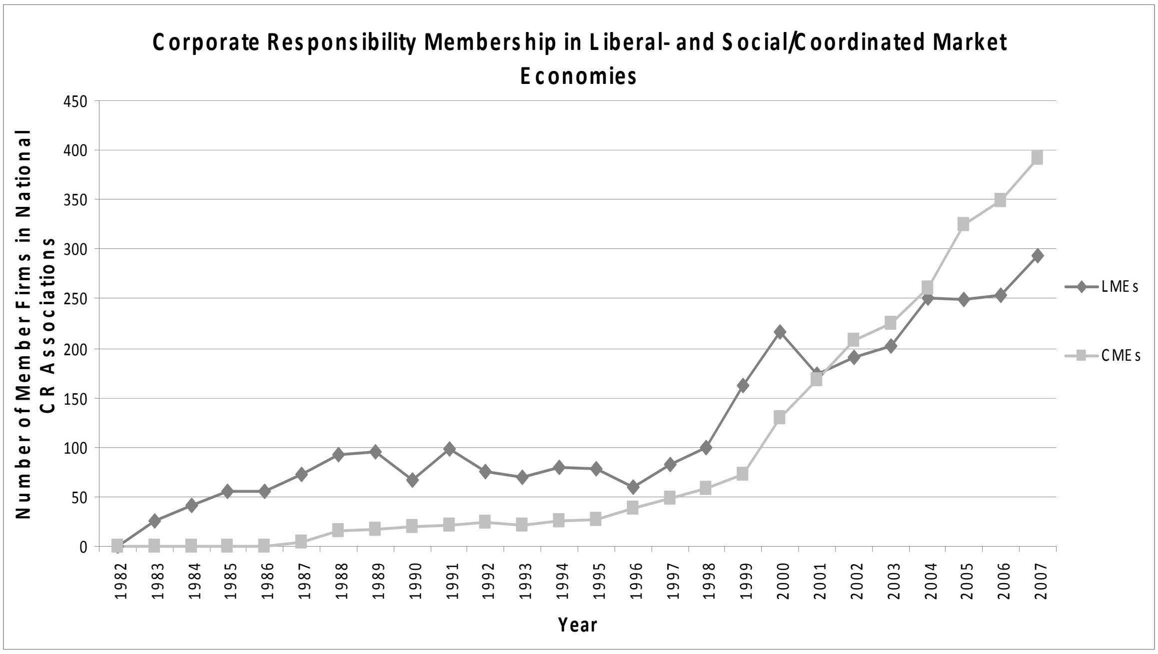
5. The Quantity of CR in Different Varieties of Capitalism

From the preceding section, we have seen that Corporate Responsibility arises earlier in LMEs than in CMEs/SMEs. But given that all of the 25 countries in my analysis have now 'gotten' CR, the quantity of CR may be more relevant. Is CR more widespread in LMEs than in SMEs/CMEs? Before proceeding to the data, a few remarks about its interpretation are necessary.

The membership levels of national CR associations are one barometer for the level of interest in CR in a given country at a given time. Without getting into details, the criteria for membership in these associations vary significantly, both over time and across the countries included in this study. Membership dues, for example, range from a few hundred to tens of thousands of Euros annually. CR associations in different countries have varying programmatic orientations: in some countries, the emphasis is more on social cohesion and compensation, whereas on others, it is more on environmental sustainability. Nor can one make the assumption of unit homogeneity (Hall, 2003), the assumption that one association member in one jurisdiction has the same weight as an association member in another. To provide one example: the German CR association Econsense had only twenty-four members in 2007, but these are among the weightiest publicly traded companies in Germany: Deutsche Bank, BASF, Siemens, Daimler-Benz, and Volkswagen. Despite their small number, these firms have more economic weight than the collected membership of some other CR associations with significantly higher membership levels.

It is obviously problematic to attribute an association's membership level exclusively to external societal or institutional factors. The quality of an association's leadership and services matter. Furthermore, declining membership levels do not necessarily indicate a declining interest in, or societal legitimacy of CR. The US CR association Business for Social Responsibility's membership has declined from approximately five-hundred a decade ago to three-hundred in 2007, due to an increase of membership fees and a shift in focus from an emphasis on small and medium sized members to large publicly traded multinationals. Membership data should therefore be interpreted with caution. Despite this proviso, my claim is that *ceteris paribus*, the level of firms in the membership of national CR associations does say something about the state of CR in a country. In general, the higher the membership level, the greater the currency of CR in that jurisdiction. Figure 6 charts the annual membership in CR associations in a few, selected LMEs and in all CMEs/SMEs since the early 1980s.

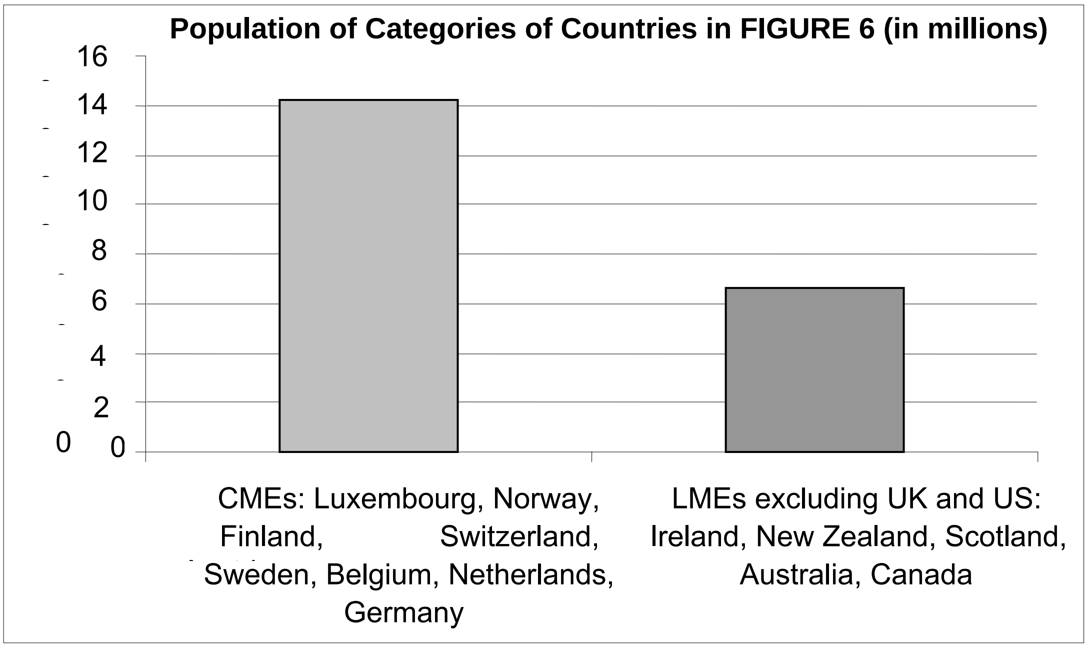
FIGURE 8



Source: author's own compilations

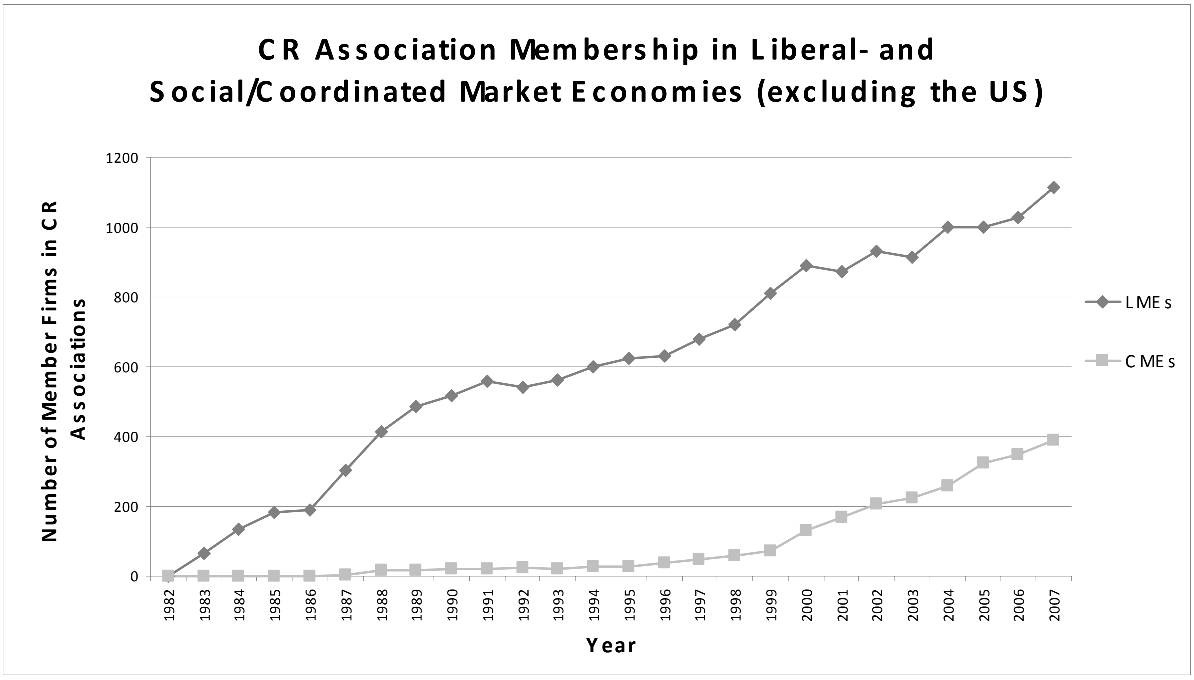
From this chart, it appears that Liberal Market Economies had higher membership levels from the early 1980s until after the turn of the millennium. Since 2001, LMEs appear to have been overtaken by Social/Coordinated Market Economies. However, this is not the case, since figure 6 contains the membership data of only of five LME jurisdictions/ associations: Ireland, New Zealand, Scotland, Australia and Canada. By contrast, the CME data derives from eleven CR associations in nine countries: Luxembourg, Norway, Finland, Switzerland, Austria, Sweden, Belgium, the Netherlands, and Germany. Figure 9 shows that – at the time of writing – these countries had over twice the population of these LME jurisdictions.

FIGURE 9



With nearly twice the population, it seems reasonable to expect CMEs/SMEs to have roughly twice the membership of their LME counterparts – but instead, we find that the membership levels in these countries are roughly the same. Per capita, LMEs have a higher level of CR association membership than their CME/SME counterparts. This point is underscored by Figure 10, which shows the membership levels in LMEs including the UK but excluding the US with all CMEs (the same data as above):

FIGURE 10



As Figure 11 shows, the total membership of the UK CR association Business in the Community exceeds that of all CMEs combined by a factor of almost two. By 2007, CMEs had caught up with BITC's national membership levels, but this is less than half of BITC's total membership of over eight-hundred in 2007.

FIGURE 11

Source for CMEs: author's compilations; for BITC: annual returns from Companies House (UK)

Despite challenges of interpretation and gaps in membership data, the following observations can be made with profit. Business for Social Responsibility and Business in the Community have significantly more members than any other CR associations. More generally, in terms of membership, CR associations in LMEs dwarf CMEs by a considerable margin. I will now summarize and connect this discussion with the above debate between Midttun, Gautesen and Gjølberg (2006), as well as Gjølberg (2009a) on one side, and Apostolakou and Jackson (2009) on the other. The above evidence regarding the timing and quantity of CR in CR associations across Europe provides disconfirming evidence for Midttun, Gautesen and Gjølberg, and support for Apostolakou and Jackson. Using the measure of CR associations, CR appears to be a substitute rather than a complement for institutionalized solidarity, as LMEs get more CR earlier than SMEs/CMEs. There is, however, a point of agreement between my findings and Gjølberg's. One of Gjølberg's central findings is that the Nordic countries are high Corporate Responsibility performers; in fact, they occupy the top rankings in Midttun, Gautesen and Gjølberg (2006), and in Gjølberg (2009a, 2009b). These assertions can be made consistent with my data if, as above, Sweden is coded as 1987. In that case, when it comes to the timing of CR, Sweden is along the front-runners. In terms of the number of association members, although I have not included a summary measure for the Nordic countries, they appear to perform relatively well, at least in comparison with the continental Europeans (though not in comparison with the Anglo-Americans). The next section views CR through the lens of institutionalized social solidarity.

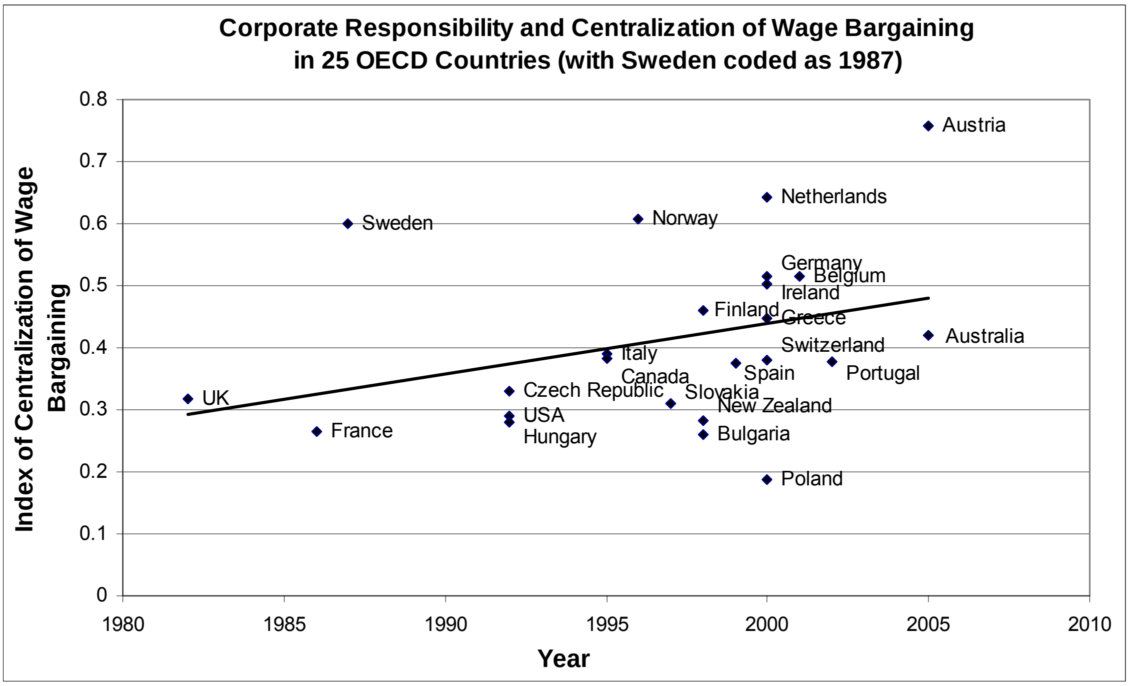
6. Corporate Responsibility and Institutionalized Social Solidarity

Typologies of different Varieties of Capitalism provide an overview of the varying times at which Corporate Responsibility has been institutionalized; they are also one take on the relationship between CR and institutionalized social solidarity. Labor power and statutory taxation rates on capital are two further indicators of institutionalized social solidarity that can shed some light on this relationship. My theory suggests that labor power and Corporate Responsibility are material and functional substitutes. Corporate Responsibility fulfills useful functions for employers and the state in the context of the weakening of the organized labor, whether or not the latter results from outright attacks by employers or from more or less secular decline. It can be reasonably posited that the weakening and displacement of labor results in a legitimation gap that Corporate Responsibility can help to fill.

If this is true, labor power and Corporate Responsibility should be inversely related: countries with powerful labor unions should get CR later than countries with weak unions. The centralization of wage bargaining is an imperfect but acceptable proxy for the power of organized labor. A completely decentralized wage bargaining system is one in which organized labor has little if any power, in which each laborer represents no collective interests beyond her own labor power. Organized labor has historically pushed for the centralization of wage bargaining as it has gained strength and influence. What is the relationship between the centralization of wage bargaining and CR?

The following two scatter-plots show the relationship between the centralization of wage bargaining and the founding dates of Corporate Responsibility associations in 25 OECD countries between 1980 and 2007.

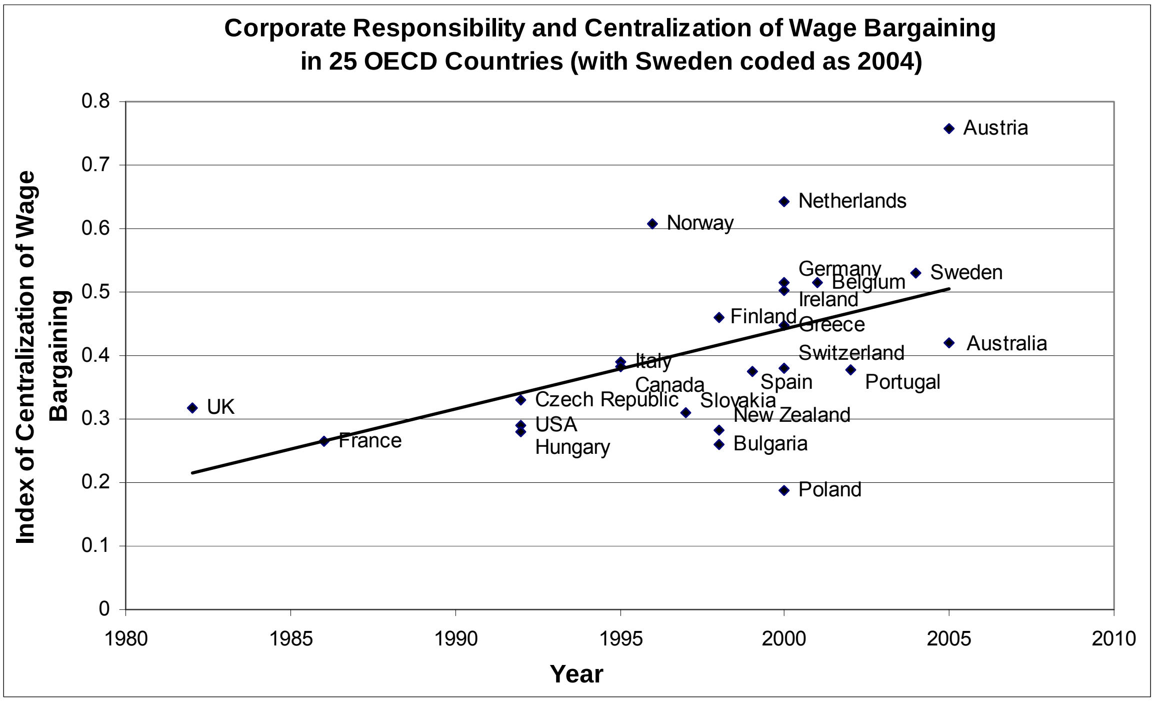
FIGURE 12



y = 0,0081x

The wage bargaining centralization data are from Jelle Visser (2007)

FIGURE 13



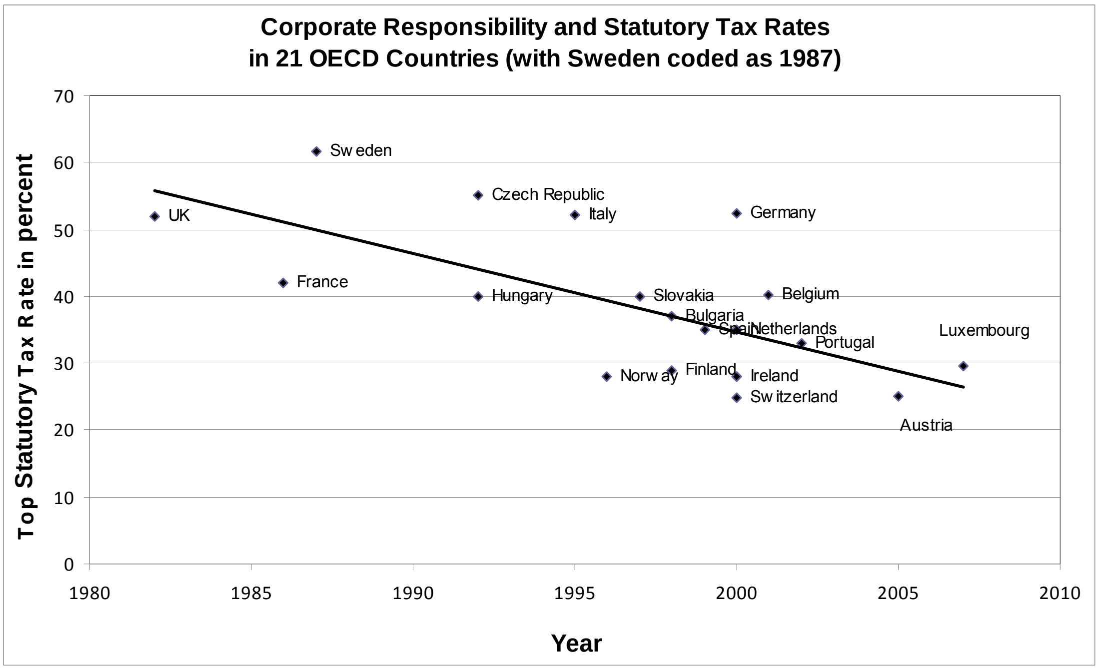
y = 0,014x

The wage bargaining centralization data are from Jelle Visser (2007)

While it is clear that the centralization of wage bargaining is far from being the only influence on the institutionalization of CR, there does appear to be a systematic relationship. The slope of the line varies depending on whether Sweden is coded as 1987 (in figure 12), or as 2004 (in figure 13), but the general trend is clear: Corporate Responsibility tends to be institutionalized earlier in countries with decentralized wage bargaining systems than it is in countries with centralized wage bargaining systems.

Next, we will examine the relationship between statutory tax rates on capital and the timing of CR association establishment in 21 OECD countries. It is well-known that the statutory tax rate on capital has declined under the influence of internationally mobile investment over the past thirty years. What is not well-known is that there appears to be a systematic relationship between statutory tax rates and the institutionalization of Corporate Responsibility. Peak statutory taxation rates on capital have declined as CR has spread.

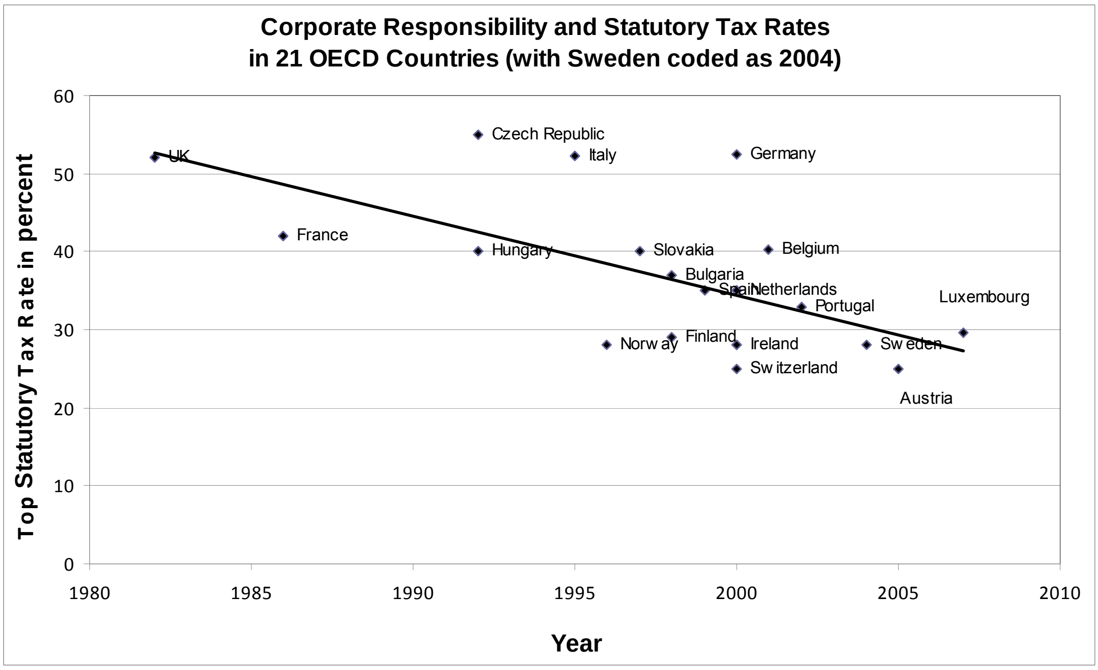
FIGURE 14



y = -1,1719x

The STR data are from Michael Overesch and Johannes Rincke (2009)[48]

FIGURE 15



y = -1,0103x

The STR data are from Michael Overesch and Johannes Rincke (2009)[49]

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48 The smaller number of countries as compared with the wage bargaining figures above is due to STR data availability

What processes, functional imperatives and subjective understandings underlie these macro-level developments? The following section sheds light on the co-evolution of CR and economic liberalism in the UK during the past thirty years. This section is followed by a discussion of the implications of CR for Varieties of Capitalism's account of coordination and institutional complementarities. This is followed by a discussion of the co-evolution of CR and economic liberalization in Germany since the 1990s. As above, I argue that the timing of the decay of the postwar institutional framework is indispensable for explaining the varying timing and extent of CR in these two countries:

FIGURE 16:
Corporate Responsibility 'Leaders' and 'Laggards' in Contemporary Europe

	Early	**Late**
Extensive	*Britain*	
Limited		*Germany*

7. The Co-Evolution of CR and Market Liberalism in the UK since 1977

Britain stands out as an exemplar of a Liberal Market Economy and for its market liberal turn away from the post-war compromise during the past thirty years. Britain has also emerged as a 'first-mover' and CR 'leader' among advanced industrial countries during the same time period. Although the contemporary era of CR is thought to have originated in the United States, Britain was the first country to found a national CR association at the beginning of the 1980s. Since then, the UK has evolved with such dynamism that according to David Vogel, Britain has replaced the United States in occupying the "[global] geographical center of gravity" of CR (Vogel, 2005:7).

This section argues that the rise of Corporate Social Responsibility in the UK must be understood in relation to the transformation of British capitalism during the past thirty years. The British case epitomizes the simultaneous rise of CR and transformation of the postwar compromise in liberal democracies. Many existing accounts of British capitalism fail to recognize the importance of Corporate Social Responsibility in its transformation. According to Crowther and Rayan-Bacchus, the "concern with social responsibility faded out at the end of the 1970s with the rise of the New Right politics of Thatcher and Reagan and the consequent legitimation of selfish behaviour and greed in the acquisition of wealth" (Crowther and Rayman-Bacchus, 2004: 245). Others suggest that CR and "neoliberal economic ideology" were at odds with each other. Michael R. MacLeod writes:

> there was little indication within the business world itself that CR was something to be seriously considered or operationalized, especially in the business-friendly environment nurtured in the core Reagan-Thatcher years of the 1980s. Promoting a more expansive business accountability to society ran headlong into consolidating a neoliberal economic ideology emphasizing deregulation and more unfettered opportunities for corporations (MacLeod, 2007: 233)

The aforementioned excerpts have the story the wrong way around. It is not the case that the neoliberalism of the 1980s prevented CR from being seriously considered or operationalized.

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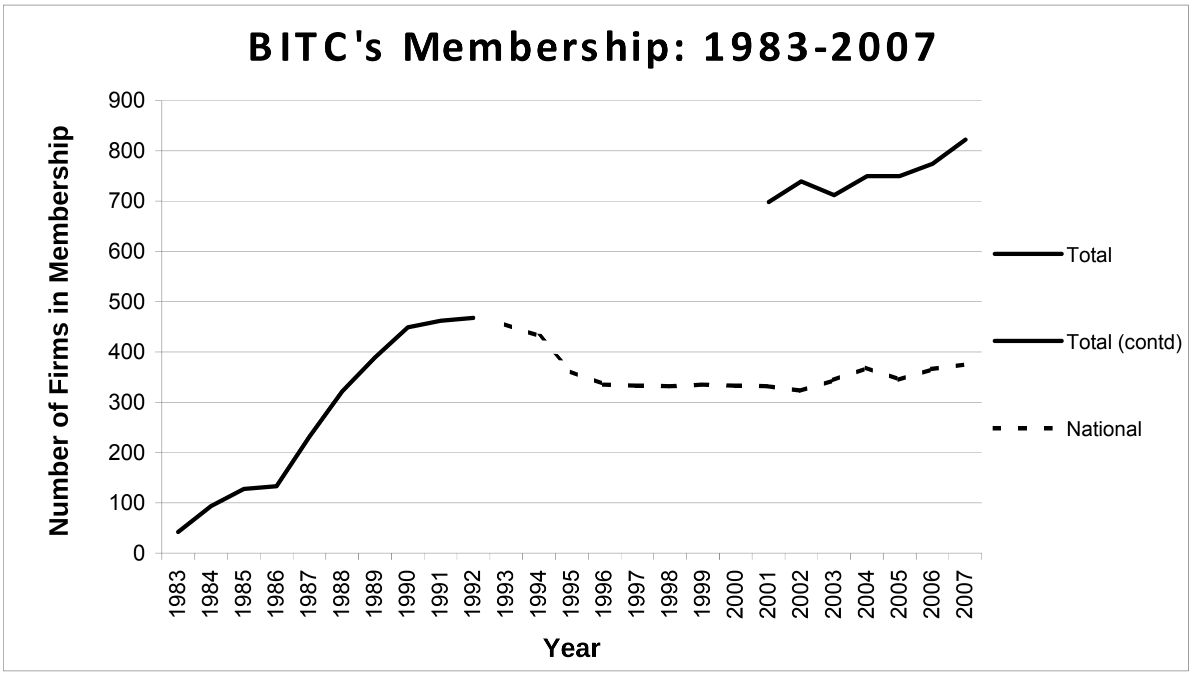
[49] The smaller number of countries as compared with the wage bargaining figures above is due to STR data availability

On the contrary: it is precisely in the neoliberal economic environment of the 1970s and 1980s that CR sprouted and grew.

To illustrate this point, see figure 17 below:

FIGURE 17



Source: compiled from Business in the Community's annual full accounts, Companies House.

This chart provides a graphical representation of the number of firms in Business in the Community's membership between 1983 and 2007.[50] What was BITC's mandate during this period, and what did firms think they were doing? Can an account like mine that stresses continuities over more than two decades adequately account for the dynamic nature of CR? Without denying that Corporate Responsibility has evolved during the past thirty years, this social practice was alive and well during the 1980s. According to Business in the Community's full accounts, the organization's mission in 1983 was "to encourage industry and commerce to become more involved on a local basis in the economic, training, social and environmental needs of the communities in which they operate" (1983: 2). In 1984, one of BITC's "two main objectives" was "the promotion of corporate social responsibility" (BITC, 1984: 2).[51] In 1994, the mission was "to make community involvement a natural part of successful business practice and to increase the quality and extent of business activity in the community" (BITC, 1994: 2). Despite the absence of national membership data for the 1990s, the data show that by the mid-1980s, over one-hundred companies had joined BITC; by the late 1980s, over four-hundred corporations had committing themselves to the aforementioned objectives; and by 2007, the number of member companies exceeded eight-hundred. The

[50] This data was compiled by the author on the basis of annual financial reports from Companies House.

[51] The other main goal is "to provide an umbrella role for the Enterprise Agency movement" (BITC, 1983: 2).

claim that Corporate Responsibility did not take hold in the UK in the midst of the privatization, liberalization, and deregulation of the 1980s is untenable. The remainder of this section explicates the elective affinities[52] between Corporate Social Responsibility on one hand, and economic liberalization as well as a market liberal institutional framework on the other.[53]

Margaret Thatcher's deconstruction of Britain's system of industrial relations is among her most well-known legacies. Chris Howell characterizes the Conservative challenge of the industrial relations regime that was put into practice beginning in 1979 as "a critique of the entire postwar political economy of Britain" (Howell, 2005: 135). The decline of organized labor was precipitous: „the eighteen years of Conservative government industrial relations reform saw the most sustained assault on trade unionism among advanced capitalist countries in the postwar period" (Howell, 2005: 133). The numbers are striking:

> In 1979 13.3 million people belonged to trade unions, the highest level ever reached in Britain, for a union density of 55.4 percent; approximately 85 percent of the working population were covered by collective pay-setting mechanisms.... By the end of 2001, after eighteen years of consecutive Conservative rule, and more than four of a ‚new' Labour government, union membership had declined 40 percent to 7.6 million, and density had fallen below 30 percent of the workforce (Howell, 2005: 131)

Howell asks whether the high degree of collective bargaining regulation which predominated during the late 1970s "can be described as characteristic of a liberal market economy" (2007: 255). He quotes Purcell to the effect that the outcome was no less than "the end of industrial relations" and their replacement by managerial unilaterialism (Howell, 2005: 159). While it is impossible to deny the role played by Margaret Thatcher and by successive Conservative governments in facilitating these changes, structural forces were also at work which have affected all affluent industrial countries to varying degrees. Employment in the manufacturing sector fell from 7.2 million in 1977 to 5.4 million by the end of 1984 (Gibb and Durowse, 1987: 3); manufacturing's employment share dropped by 44% between 1979 and 1996, to 15.8% of the total workforce from 28.9%; the employment share of the service sector increased by 25%, to two-thirds of total employment during the same time period. The share of total employment in small firms employing fewer than fifty people rose from 33.6% to 42.3%; the share of employment in firms employing over five-hundred people shrunk from 42.8% to 34.2%; women's share of total employment increased from 39.9 to 46.3%; part-time employment rose from 18.5% to 24.8%; self-employment increased substantially (Howell, 2005: 138).

How did these dramatic changes in the British labor market foster the expansion of CR? Though trades unions have seen it as their mandate to hold employers accountable for the welfare of their employees, unions have not generally been supportive of initiatives giving employers and management have a decisive voice, as is the case in CR. Unions tend to favor union- or employee-led forms of corporate accountability. Thus the weakening of unions removed an obstacle in the way of CR.

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52 I use this terms because there appear to be causal arrows going in both directions, from liberalization to CR and vice-versa. The term elective affinities, which has its origins in eighteenth-century chemistry and was popularised by Goethe, is often used by Max Weber. Richard Swedberg defines the term as: „two sets of social facts or mentalities [which] relate to one another or gravitate to each other—even though no direct and simple causality between the two can be established" (Swedberg, 2005: 83)

53 By 'market liberal institutional framework' I mean not an idealized market without negative externalities, but a market-liberal economy of the sort exemplified by the United Kingdom or the United States.

When it comes to the privatization of state-owned enterprises, the UK is a “trailblazer” and “paragon” (Glyn, 2006: 37). Privatization reduced the share of government-owned enterprises from 12% to 2% from 1979 to 2006 (Glyn, 2006: 38). Privatization emerged as Thatcher’s “great success” (Prasad, 2006: 102) because of its constitutive effects. Privatization shifted voters’ identities and interests away from wage-labor and towards a ‘property-owning democracy’ – it “changed the actors’ understanding of the project on which they were embarked” (Prasad, 2006: 103). Privatization was one element in the “transformation of the British public into non-unionized, home owning workers increasingly drawn to the Conservative policies of lower taxes, incentives for home ownership, and punishment of the unions” (Prasad, 2006: 160).

Privatization also mattered in a much more pragmatic sense: as the ranks of privatized state-owned firms swelled, so did those of companies practicing Corporate Social Responsibility. The public endorsement of Corporate Social Responsibility may have helped to compensate for the strains on public legitimacy and accountability that arose from and during privatization. CR thus functioned as a handmaiden of that cause. Large-scale privatizatations swelled the ranks of Corporate Responsibility associations and organizations such as Business in the Community, since the newly-privatized companies almost invariably became members. The following table – derived from Peter Riddell (1989: 87, 88) – shows a list of the “main privatization sales” undertaken during the 1980s, with companies that became members of Britain’s leading CR association Business in the Community shaded in gray:

FIGURE 18: Privatization and Business in the Community Membership

Name of Firm	*Date of Privatization*
British Aerospace	1981 (and 1985 for remaining shares)
Cable and Wireless	1981, 1983 and 1985
Amersham	1982
Britoil [taken over by British Petroleum]	1982 and 1985
Associated British Ports	1983 and 1985
Enterprise Oil	1984
Jaguar	1984
British Telecom	1984
British Gas	1986
British Airways	1987
Rolls Royce	1987
British Airports Authority	1987
British Steel	1988

The overwhelming majority of privatized firms joined the ranks of those practicing Corporate Responsibility as members of BITC. Indeed, David Halley, Head of International Partnerships and Business in the Community, notes that the BITC CR Index, an index developed to monitor firms’ CR performance, “can be a useful tool to address issues of workplace, marketplace, community and environmental impact in the planning of privatization in order to signpost potential challenges and mistakes” (Halley, 2008: 378). What about the welfare state?

But if CR and liberalization are connected, what is the causal link between the rise of CR and the liberalization of the British economy? While successive British governments, including Margaret Thatcher’s, have played a role in fostering CR and infusing it with their preferred political flavors, CR in the UK cannot be properly understood as a political project of narrow ideological provenance. Instead, CR represents a response to material and symbolic (legitimation) needs during the structural transition away from the post-war compromise and welfare-embedded liberalism. CR has served to legitimate this process and compensate for the deficiencies of the increasingly market-driven regimes. This process of co-evolution (Boyer 2005)[54] is described below.

The contemporary era of CR in the UK began with Charles Carmichael Pocock's 1977 Ashridge Lecture. Pocock had spent thirty years in the Royal Dutch/Shell Group at the time he rose to the position of Chair / Managing Director in 1977, when he also held a post as Chair of the London Business School. Pocock's lecture provides invaluable insights into the conditions which, in his view, necessitated CR; and into the societal and policy prescriptions which, in his view, needed to accompany it. Pocock in effect laid down the U.K. Corporate Responsibility agenda for the 1980s and well into the 1990s. On one hand, he stresses that large businesses will have to actively support and promote entrepreneurialism and employment growth in small businesses. This would permit large businesses to rationalize and regain competitiveness. Who and what are to blame for the UK's economic predicament? Pocock identifies a number of "sacred cows": "a whole raft of well-meaning social legislation," "the burden of taxation, availability of finance, and the coils of red tape," and above all, trades unions (1977: 8; 5; 7). It is not difficult to characterize the general thrust of Pocock's lecture: a decisive break with the post-war political-economic order is necessary, a move away from risk adversity and the ‚entitlement state' towards a more dynamic form of capitalism.

The next key event in the evolution of CR in the U.K. was the Sunningdale conference, convened by the Ministry of the Environment, on 9-10 April 1980. Remarkably given its importance, no existing literature contains any references to the papers or proceedings of this conference. Held in Sunningdale Park, south of London, the conference was attended by seventeen British members of government, industry and commerce together with ten officials from the U.S. The new government's objective of reducing state activities prompted an increased interest in CR on the part of business, noted the representative from the London Enterprise Agency:

> Although relatively few companies in Britain pursue corporate responsibility policies those consultants who are active in the field detect a growing interest. Much of this has been seen in the last year and in part reflects a response to the new Government's intention to reduce the State's activities in society (1980: 16).

Apart from addressing the external pressures at hand, the conference participants pointed to deficiencies in the institutional and regulatory status quo. Why was the U.K. behind the United States in Corporate Responsibility, what factors were to blame for this state of affairs? As Sara Morrison, a Director of the General Electric Company, asked: "Valuable though such aid and assistance is to voluntary organizations, it adds up to very little overall and hardly represents any selective, systematic or even very conscious involvement by employers and their firms in the welfare of the community. What prevents more being done?" (1980: 84). Morrison felt that the welfare state was to blame for the non-commitment of business and citizens to community affairs:

Whatever the merits of Britain's welfare state and its services, and its taxes, it tends to encourage the firm impression among many that the well-being of fellow citizens is essen-

[54] As Robert Boyer remarks, "all institutional forms result from social compromises ….. At the level of the economy, there is no automatic mechanism that would ensure their compatibility. Instead, institutional forms continuously adjust and thus co-evolve. Co-evolution is the process of trial and error through which a series of institutional forms that are initially disconnected and formally independent (since they result from institutionalized compromises among diverse agents in different fields) adjust to one another until a viable institutional configuration emerges" (2005: 367).

tially someone else's business. Hence it is not surprising that industry and commerce do not readily accept that they might have a commitment to the welfare not only of their employees but also to the community in which they exist (85)

What happened to organized labor and the British welfare state during the 1980s is, of course, well known. During this period, UK CR fulfilled material and symbolic functions, helping reduce unemployment, "weaken potential worker opposition to [corporate] closures" (Mason, 1987), and improve the legitimacy of business. By engaging in local economic initiatives, „Business can at least avoid the criticism that it is ‚uncaring' and they certainly contribute to a feeling that at least ‚something is being done' especially at a local level, writes Jeremy Richardson (Richardson, 1983: 19). "By publicizing our activities, we can bring home to the community as a whole the fact that companies *do* care, and that the private enterprise system is not (as it is sometimes caricatured) a cold, selfish and self-centered system" remarks Sir Mark Weinberg at a meeting of Business in the Community, the leading UK organization for CR (1990: 8). And James Cooke, who directed the Special Programmes Unit of the CBI, recalls: "at the public level of politics there was a considerable animus against Ms Thatcher from the socialists and from the trade unions." However, this animus did not provide much weight to opposition to CR, since "when you get down to the local community, everybody cared about their community" (Cooke, interview, 2007).

Space constraints prevent me from detailing the evolution of the British political economy and of CR since the 1980s. Needless to say, UK CR and its leading organization Business in the Community was not the phalanx of political and employer pressures for employer-friendly reforms. Instead, BITC sought to work with companies on a voluntary basis at the same time that employer lobby organizations such as the Institute of Directors, the Confederation of British Industry, and Margaret Thatcher and John Major restructured the British economy. Perhaps Bourdieu's distinction between the left and right hand of the state can be applied in this context. BITC would be left hand of business, whereas the CBI and IOD would be business's right hand. The only times that BITC has taken a stance on policy matters was to speak *against* regulation in the area of CR. As we will see below, this dynamic is not peculiar to the UK, but representative of the implication of business-led CR in economic liberalization across affluent countries during recent decades. By and large, CR is not apart from, but a part of this dynamic.

I suggested above that Corporate Responsibility cannot be understood in purely rational-instrumental let alone cynical terms, and I would now like to provide an example to support that claim. Sir Hector (now: Lord) Laing, who chaired the family-owned company United Biscuits from 1972 to 1990, Scottish Business Community during the 1980s and Business in the Community from 1987 to 1991, was a central figure in the formative phases of BITC and ScotBIC (now known as SBC). Laing was very much a businessman. But as Director of United Biscuits, a family-owned confectionary company, he did not shy away from harsh criticism of his fellow businesspeople, and of financiers and speculators in the City who failed to live up to his moral ideals. Laing and others like him are evidence against the Machiavellian interpretation according to which CR is but a cynical or strategic attempt to legitimate base interests.

In his biography of Hector Laing, Peter Pugh characterizes this Scotsman as "a Christian with a deep and unquestioning faith" (Pugh, 16). Indeed, in correspondence with business leaders whom he hoped to enlist in Business in the Community, he referred to Corporate Responsibility as a 'crusade.' On one hand, Laing is a "friend and loyal supporter" of Margaret Thatcher (Pugh: 1991: 139). Accordingly, Laing shared with Thatcher a faith in the utility of the market for solving social problems. As he put it in a newsletter in 1982, "Instead of looking to central government to solve the problems of economic decline, inner city decay and environmental blight, I believe that more could be achieved more quickly and probably at less cost if companies and their people tackled these problems in a local context" (quoted in

Morison, 1987: 74). But Laing's conception of businesses' responsibilities and self-interest is also very broad and encompassing. Laing's criticisms of finance, the City, and prevailing views of corporate governance are not what one would ordinarily expect from a close supporter of Margaret Thatcher. In his essay "The Balance of Responsibilities," Laing articulates a far-reaching critique of the City, speculation, and short-termism. He writes that "it is wrong to define 'performance' as short-term gains for shareholders" (1990: 61) "Sadly, the national interest seems to be of little account where there is a profit to be taken" (63). In another paper on the 'morality on the distribution of wealth, Laing writes:

> while profits are of course an essential operating requirement of a business they are not its sole purpose – the ultimate responsibility of business is to serve the needs of society and I believe the decision-makers in a business have a wider moral responsibility in the distribution and application of the wealth they create. Business cannot isolate itself from the community of which it forms a constituent part … Christ gave us two great commandments: to love God and to love our neighbour. 'Neighbour' as illustrated by the story of the Samaritan is not a term of limited liability. It is not to be used as the measure according to which whole categories of people are to be selected or rejected as fit objects for our sympathies. Our neighbor is anyone whose need constitutes a claim on those of us who have resources to help alleviate that need (Laing, 1985: 8).

Laing continues:

> The main justification for free enterprise is that it provides the best climate for innovation and risk-taking and I believe that it is the most efficient means of generating real wealth for a community and of lifting the standard of living of the vast majority of people. I support this Government's policies – they have given business back its freedom, along with the discipline of failure if it is unprofitable. But freedom demands responsibility and if we want to continue to enjoy our freedom, we must demonstrate that a buoyant economy and business success go hand in hand with a caring society; that as our profits increase so too does our contribution to improving the condition of disadvantaged areas and people (Laing, 1990: 18)

Laing described how "my peers thought all you had to do is make money and give it to shareholders. Improving the standard of living in the areas in which you drew your employees was anathema" (Laing, interview, July 6th 2006).

During the past decade, finance has been a major driver of Corporate Responsibility. From this perspective, it is interesting that in the late 1980s, "the Chairman [Hector Laing] was particularly concerned about the extent of the involvement of participation by the financial community. He felt that this sector required greater exhortation to become involved. There was general agreement on this point." Laing also admonished financial institutions and the City of London for their short-termism and insufficient patriotism. Regarding the attempt to justify corporate citizenship with a cost-benefit analysis, i.e. the benefits [to the firm] of corporate social involvement exceed the costs, Laing states that "it's a mistake to try" (interview, July 6th 2006). Laing, it seems, was driven more by moral motivations and ideal interests than by the self-interested calculations of pragmatic legitimacy. The welfare of employees, communities and the country have independent status and are not reducible to mere means to the attainment of businesses' ends. When queried whether his firms' CR activities were benefitting shareholders, Laing instated that the better the community is doing, the more likely the shareholders are to do well (Laing, interview, 2006). Referring to Milton Friedman's famous claim that "the notion of social responsibility was 'a fundamentally subversive doctrine,' and that 'few things could so thoroughly undermine the very foundations of our free society as the acceptance by company officials of a social responsibility other than to make as much profit for their shareholders as possible,'" Laing says "I cannot agree" (Laing, 1985: 7).

Before proceeding to the German case, I would like to touch briefly on the UK's role in the international dissemination of CR. The UK has not only been a leader in terms of the development of CR within its own borders. It has also played a pivotal role in diffusing Corporate Responsibility across Europe and indeed the world. CR spread in tandem with market-liberal forms of governance.

The earliest mention of the role of the UK in the international dissemination of CR can be found in the Business in the Community Press Release (1987) titled "UK to Follow Reagan Initiative." In a meeting chaired by Mr John Raisman, former chairman of Shell UK, and attended by Mr. Hartley Booth, policy advisor to the Prime Minister, the Hon. David Sieff, director Marks & Spencer, Mrs. Anne Simor of the America/European Community association and Mr. Michael Brophy, director, Charities Aid Foundation suggested "the UK is more like the US than unlike, and could build a bridge between the US and Europe for private sector community initiatives." An internal document two years later explicitly acknowledged the pioneering role that the US and UK perceived for themselves in the area of in CR: "Business leadership and corporate community involvement have largely evolved in the USA and the UK. Under the leadership of our President, BIC should seek to develop and export these concepts" (Business in the Community, 1989: 3).

The UK's role in the international promotion of Corporate Responsibility gained intensity and dynamism at the beginning of the 1990s. In his speech "New Directions for the New Decade," the Secretary General of the Confederation of British Industry John Banham (1991: 3) stressed: "a major opportunity exists, in the European context, to introduce our philosophy not just to our partners within the European Community but to Eastern Europe as well. At present, voluntarism is not a concept widely recognized on the other side of the Channel." As it turns out, Business in the Community founded another organization, initially known as Business in the Community International,[55] which has been the leading business-led organization for disseminating CR into Eastern Europe and into the developing world post-1990. As Larry Ray notes surveying the situation in Eastern Europe post-1990, "it can hardly escape anyone's attention that one strong contender in this reform process is the programme of radical marketization of social relations, which can appear similar to the enterprise culture in the UK" (1991: 114). CR spread across Western and Eastern Europe and into the developing world in tandem with neo-liberal forms of governance, blatantly contradicting predictions in the early 1990s that the German model of industrial relations and social partnership would gain a foothold there.[56]

International Business in the Community was officially established as an independent company and registered charity on 1 January 1991. The conference held in Charleston, South Carolina, which led to the founding of this organization was attended by approximately 120 business leaders: 60 Americans, 30 British and the rest from all over the place. Thus, approximately three quarters of the organization's founders were Anglo-American (Sheppard, interview, 2006). The initial international sponsors of IBIC were two American and six British companies.[57] An early publication describes the "key issues" on IBIC's 1991 agenda as "support for the resurgent enterprise culture in Eastern and Central Europe, sustainable development and the environment, and community involvement in the developing and newly industrializing worlds." This agenda, the report remarks, is falling on particularly receptive ears "in those countries implementing economic liberalisation such as Brazil and India, and those having undergone radical change such as in Eastern and Central Europe" (2). The

[55] later renamed the Prince of Wales International Business Leaders Forum and finally the International Business Leaders Forum

[56] Hodges and Woolcock (1993)

[57] American Express International, Atlantic Richfield Company, BP p.l.c., Cable & Wireless p.l.c., Grand Metropolitan p.l.c., Johnson Matthey p.l.c., SmithKline Beecham p.l.c., The Wharf Holdings Ltd.

meeting that took place in Czechoslovakia in May 1991 “focused on the contribution of international business to recreating an enterprise culture and restoring the environment” (3).

Though Milford Bateman (2000) does not touch directly on CR and of institutions such as the IBLF, he describes how the Local Enterprise Agencies (LEAs), the central focus of CR in the 19870s and 1980s, were “the practical inspiration for the majority of Business Support Groups in Central and Eastern Europe” post-1990 (2000: 280). For Bateman, LEAs, along with Business Support Centers, played a key role facilitating the transition of Central and Eastern European Economies to market liberalism. As he remarks, “transition policy in Central and Eastern Europe was a textbook variant of the dominant radical free market discourse, neo-liberalism,” with its prominent proponents Margaret Thatcher and Ronald Reagan. The international donors who spearheaded the creation of the Business Support Centres, he claims, “were keen to set up just such [CR] advocacy bodies to promote the US-Wall Street version of finance-based capitalism” (Bateman, personal communication, December 03, 2008). Thus ends my brief sketch of the elective affinities of CR and market liberalism in the UK. The next section discusses Germany.

8. Implications of Corporate Responsibility for Varieties of Capitalism

Building on the empirical sections above, in this section I discuss how my theoretical framework builds on, and relates to, the Varieties of Capitalism literature. While the insight that “the capitalistic orientation of profit-making can take a number of ‘qualitatively different forms’” is not new – indeed, this quotation stems from Max Weber (Weber, 1978: 164), in recent years, Hall and Soskice’s *Varieties of Capitalism* (2001) has achieved a prominent if not pre-eminent status in the sub-field of comparative political economy. I share these authors’ pre-occupation with different institutional configurations of capitalism, and with institutional complementarities – broadly conceived, Varieties of Capitalism has shown itself to be a productive and progressive research program, resulting in a number of important works during recent years.[58] I will begin with a brief description of the VoC framework, and then explain

In their widely acclaimed work, Hall and Soskice (2001) distinguish between Liberal and Coordinated Market Economies. Along with the United States, Britain has been characterized as an archetypical Liberal Market Economy by Varieties of Capitalism scholars. The core of VofC’s notion of comparative institutional advantage is that ‘pure’ uncoordinated Liberal Market Economies and ‘pure’ Coordinated Market Economies will outperform in-between types (Hall and Gingerich, 2009). But what is coordination? For David Soskice, “Coordination among business, outside of competitive market interactions, can take many forms within an economy. One way of measuring strategic coordination is to look at noncompetitive links between companies” that address a variety of collective action problems (Soskice, 1999: 104). For Hall and Soskice,

> non-market modes of coordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive, relationships to build the competencies of the firm (2001: 8)

For Hall and Soskice, LMEs are characterized by relatively pure market coordination. Thus, to quote Stewart Wood, “in an LME, where relations between firms are mediated by markets,

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58 among them Crouch (2005) and Pontusson (2005).

the state will be more effective if it restores and 'sharpens' market mechanisms" (2001: 274). King and Wood share this view: simplified only slightly, both the UK and the US were predisposed towards neo-liberalism by "the inability of business to solve basic problems of collective action" and by the absence of coordination (King and Wood, 1999: 375). For Hall and Soskice, the differences between CMEs and LMEs are reinforced by the presence of "institutional complementarities." A complementarity exists when "the presence (or efficiency) of one [institution] increases the returns (or efficiency of) the other" (Hall and Soskice, 2001: 17). As Howell (2007: 259) recognizes, VoC views institutions as tightly linked and interdependent such that a change in one area will trigger change across the economy as a whole, if the structures of inertia are able to win out over the dynamics of institutional self re-enforcement.

My approach differs from Hall and Soskice's specific approach with regard to, first, institutional equilibrium and change; and second, institutional complementarities. Hall and Soskice's (2001) theory of comparative institutional advantage categorizes affluent countries into two groups: those in which the predominant form of strategic coordination among firms is the market – Liberal Market Economies – and those in which non-market forms of coordination among firms plays a crucial role – Coordinated Market Economies. Critics have pointed out that a large number of countries fall outside of the LME/CME categorization, even within the OECD.[59] Perhaps more serious, Hall and Soskice's claim of bifurcated convergence – the claim that "institutional complementarities generate disincentives to radical change" (Hall and Soskice, 2001: 64), that LMEs and CMEs tend towards their respective equilibria, seems belied by the empirical evidence. In the years following the publication of their volume, CMEs such as Germany have changed in ways that the Varieties' equilibrium-functionalist framework has difficulty accounting for. This, in turn, suggests that Hall and Soskice's microfoundations are not quite right.[60] Wolfgang Streeck and Kathleen Thelen lament the "conservative bias" of neo-institutionalism, noting "the impoverished state of theorizing on issues of institutional change" and existing theories' (including Varieties of Capitalism's) inability to account for the wave of economic liberalization during recent decades (Streeck and Thelen, 2005: 1). Bruno Amable and Stefano Palombarini (2009) take VoC to task for its "economic functionalism" and failure to incorporate political and social conflict.

Since this paper aims to explain change – the rise of Corporate Responsibility across the OECD along with the decline of institutional diversity during the recent decades – a historical-political approach to institutions that pays attention not only to their formal existence or persistence, but also to their political content, seems more fruitful than a focus on static institutional equilibria. Processes of layering, drift, conversion and exhaustion can take place while leaving the form and façades of institutions intact.[61] A focus only on formal institutions leads us to lose sight of:

> the retreat in contemporary capitalism of institutions imposing and enforcing public obligations on economic actors, in favor of voluntary, privatised institutions of the Williamsonian kind …. capitalist inventiveness is capable of using institutions for economizing, for example on transaction costs, that had originally been intended to serve some very different purposes, including not least market-breaking ones (Streeck, 2009: 170; 257)

The more general point is well-put by Jonas Pontusson: "the VoC literature has a great deal to say about 'varieties,' but surprisingly little to say about 'capitalism'" (Pontusson, 2005: 164).

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[59] Amable (2003)'s categorization is superior in this respect.

[60] Kinderman (2005) makes this argument with reference to Germany

[61] Streeck and Thelen (2005)

One of the most important contributions of *Varieties of Capitalism* is the notion of complementarities as a central element of comparative institutional advantage: "nations with a particular type of coordination in one sphere of the economy should tend to develop complementary practices in other spheres of the economy" (Hall and Soskice, 2001: 18). Useful as it is, this concept must be modified if it is to be fruitfully applied to the political economy of CR. First of all, Hall and Soskice conceive of complementarity as a matter of institutional similarity (Campbell and Petersen, 2007: 326). An economy is either based on market- or non-market forms of coordination in different spheres and social sub-systems. This conceptualization of complementarities is problematic. To be sure, some complementarities are based on institutional similarities, but others are a matter of institutional supplementarity or difference (Crouch, 2005). The particular nature of the complementarity in question cannot be determined *a priori*. Empirical inquiry is necessary to determine which logic applies in any particular instance – and this will typically only be possible *ex post*.

As operationalized in this paper, Corporate Responsibility functions according to the logic of institutional difference. Although Hall and Soskice concede that "even in liberal market economies, firms enter into some relationships that are not fully mediated by market forces" (2001: 8-9), their theoretical framework seems ill-equipped to deal with Corporate Responsibility, which functions according to the logic of institutional difference. Corporate Responsibility arises in liberal market contexts precisely because it is *different* from the prevailing institutional framework; and it arises in Social Markets as they become more, not less, market-oriented. The evidence presented here weakens Hall and Soskice's claims of comparative institutional advantage based on a complementarity logic of similarity. Instead, the use of Corporate Responsibility is similar to the use of bankruptcy law described by Bruce Carruthers, Sarah Babb and Terence Halliday:

The incentive to use bankruptcy law to intervene in the economy increases as other policy tools are set aside …. changes in bankruptcy law help to dampen the shock of neoliberalism. Rather than simply contradicting or undercutting neoliberalism, the new bankruptcy regime helps to save neoliberalism from itself (Carruthers, Babb and Halliday, 2001: 119)

If Corporate Responsibility was complementary to solidaristic social institutions in Social Market economies, it would arise earlier in these countries than in Liberal Market economies, and these countries would have a greater quantity of CR than their Liberal Market counterparts. This is simply not the case – CR is not particularly complementary (Morgan, 2007) to SMEs with intact institutions. Instead, CR arises along with market liberalism, and compensates for the failures and gaps of the market by satisfying material needs and providing symbolic legitimacy. This is the sense of complementarity noted by Colin Crouch: "components of a whole mutually compensate for each other's deficiencies in constituting the whole" (Crouch, 2005: 50). As Crouch remarks, Hall and Soskice's world is one of pedigree dogs: 'purebred' LMEs versus 'purebred' CMEs. Corporate Responsibility functions according to the logic of mongrels: the erosion of institutionalised social solidarity is accompanied by firms' voluntary engagement in the form of CR.

Second, complementarities are contested and "loosely coupled" (Höpner, 2006: 402). Complementarities reside in "how people use them" (Deeg, 2007: 626) – rather than functionally determined by institutions alone. A number of recent works argue that – rather than the straightjackets or determinants suggested by Hall and Soskice (2001) – the institutional configurations of LME- and CMEness provide actors with a set of dispositions and tendencies, ones which actors can (and do) manipulate creatively.[62] In the case of Corporate Responsibility, the subject matter of this dissertation, it is remarkable that structural and institutional variables predict such a substantial portion of the variance for a phenomenon which in

[62] Alexander Börsch (2007); Uwe Becker (2007, 2009); Andrea Herrmann (2009)

many respects would seem to be an unlikely candidate for it. But outliers and empirical anomalies remind us that even these structures are in an important sense indeterminate. Uwe Becker (2007) points out that "the relevant actors often do not know what is functional, and reference frames, consisting of economic, social and environmental goals, are contested," "flexible [and] power-dependent" (Becker, 2007: 261; 271). I will now discuss the contestedness, power-dependence, and flexibility of these reference frames.

As the sections below will show, the fact that Corporate Responsibility has attained the status of a predominant, if contested, ideology does not imply that it was instantly accepted by all actors, even in the business community. The acceptance and endorsement of CR is an iterative and dynamic process. This is especially true in Social Market Economies, which have had collectively binding institutional alternatives to the voluntaristic practices of CR. In fact, even in Liberal Market Economies, and in extreme cases, LMEs undergoing economic liberalization, endorsement of CR, though likely, is not automatic, invariant, a *fait accompli*. Agency, and actors' interpretation of their interests matters; structure is often indeterminate. As Colin Hay and Ben Rosamond emphasize, "it is the ideas that actors hold about the context in which they find themselves rather than the context itself which informs the way in which actors behave" (Hay and Rosamond, 2002: 148).

Why, then, do the leaders of business-led CR stress the voluntariness of corporations' engagement for society? After all, the newer rationalist literature purports to show that collectively binding (rather than voluntaristic) institutional arrangements can be in employers' interests.[63] The association of CR with free markets is seen both as normatively appropriate and pragmatically useful. Understanding of corporate responsibilities as discretionary and voluntary can further corporations' interests: voluntary engagements are less likely to be burdensome, and more likely to be suited to corporations' needs, than legally mandated obligations. Employers have an intellectual affinity for CR because they prefer doing things voluntarily rather than being forced to do them. Intellectual arguments have played a role in this concept's victory (it is said that markets are more dynamic and innovative than legally mandated solutions), but corporate power has as well: as Thomas Berger and Peter Luckmann put it, "he who has the bigger stick has the better chance of imposing his definitions of reality" (Berger and Luckmann, 1966: 109). Since the late-1970s and especially following the collapse of Communism, business has had a progressively bigger stick.

It is well known that politics had a large role to play in this transition to market liberalism. Chris Howell has taken the Varieties of Capitalism account of British political economy to task for precisely this reason: for providing "a *post hoc* justification of the neo-liberal experiment after 1979" (Howell, 2007: 250). "Far from approximating a liberal market economy prior to 1979, the British labor market "was subject to a high degree of collective regulation" (Howell, 2007: 258). Only concerted state action and high levels of political conflict transformed Britain into an LME. Howell's challenge of Varieties of Capitalism's portrayal of historical continuity and its neglect of political conflict is forceful and on the mark. I agree with the aforementioned scholars in two respects. First, like Hall and Soskice, I view change as synchronic: changes in institutionalized solidarity are linked to the rise of CR. Second, like Howell, I do not see the British economy as a static or time-invariant LME: the transformation of the British institutional and regulatory structure since the late-1970s is fundamental.

Bringing Corporate Responsibility in to the analysis challenges VofC's understanding of complementarity. Hall and Soskice understand complementarity as institutional similarity: Liberal Market institutions in one area of the economy are complementary to LME institutions in other economic and social spheres; the same is true for Coordinated Market Economy institutions. Bringing CR in to the equation challenges this view: to adopt VoC's language of

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63 Hall and Soskice (2001); Iversen and Soskice (2009)

coordination, the transition to a more 'pure' Market Liberal Model in the U.K. from the late 1970s onward was accompanied by new forms of non-market coordination in the form of Corporate Responsibility.

As Thatcher restructured the British welfare state and successively dismantled the high degree of collective bargaining regulation, new forms of collective action and employer coordination came into being to deal with the problems of unemployment, business development and skills shortages. Business in the Community provides an excellent example. In this organization, firms that are competitors in the marketplace come together to collaboratively address problems which affect both their own businesses and the community at large. At the time of its founding,[64] Business in the Community's mandate was to "engage industry and commerce to become more involved on a voluntary basis with the economic, training, social and environmental needs of the communities in which they operate" (BIC, 1983). In 1984, these activities included "small business clubs; links with enterprise and training; links with venture capital funds; establishing property registers; managed workshops etc" (BIC, 1984: 2). In 1987, 240 or 79% of Enterprise Agencies across the UK provided training services to small businesses and to aspiring businesspeople (Colman, 1989: 304).

Although Hall and Soskice concede that "even in liberal market economies, firms enter into some relationships that are not fully mediated by market forces" (2001: 8-9), their theoretical framework is ill-equipped to deal with the simultaneous sharpening of market mechanisms and *increase* of coordination in LMEs because it sees complementarity as a matter of institutional similarity (Campbell and Petersen, 2007: 326). In contrast to Varieties of Capitalism's account of complementarity as institutional similarity, Corporate Responsibility in the U.K. is complementary to the post-1980s institutional framework precisely because it is *different* from it: CR compensates for the latter's functional and legitimation deficits. This is similar to the sense of complementarity noted by Colin Crouch: "components of a whole mutually compensate for each other's deficiencies in constituting the whole" (Crouch, 2005: 50). The economic geographers Jamie Gough and Aram Eisenchitz (1996: 179, 178) draw attention to this compensatory function:

> since the mid-1970s, while neoliberalism has triumphed in national government, Local Economic Initiatives have expanded rapidly, using an approach neoliberals deride as ‚tired and discredited' interventionism and consensus .... The great majority of local initiatives are politically Centrist, using mild forms of intervention pragmatically directed at perceived market malfunctions. They address demands both from business (for example, training to overcome skill shortages) and from labor and disadvantaged groups (training for equal opportunities)

Especially interesting for our purposes is Gough and Eisenschitz's suggestion that Centrist Local Economic Initatives, which include CR programs such as Business in the Community, "create new nonmarket forms of coordination" in liberal market economies (1996: 180). Jeremy Moon has usefully described CR in the UK as entailing business "not only operating in its market mode but also in a network mode with government and non government organizations in which the inter-dependencies of actors depend neither on authority nor on market relations" (Moon, 2004: 1).

But if CR and liberalization are connected, what causal link between the rise of CR and the liberalization of the British economy? While successive British governments, including Margaret Thatcher's, have played a role in fostering CR since the late 1970s, CR in the UK cannot be properly understood as a political project of narrow ideological provenance. Instead, CR represents a response to the business and societal needs during the structural transition away from the postwar compromise and welfare-embedded liberalism. CR served

[64] BIC was incorporated on 01 June 1981 and fully registered as a company limited by guarantee on 2 March 1982.

to mitigate the negative material side effects of industrial restructuring, and endow the new market-driven order with legitimacy. The section below discusses how CR has risen to prominence in Germany, an institutional environment very different from the UK.

9. The Decline of 'Organized Capitalism' and the Rise of CR in Germany since the 1990s[65]

What role does Corporate Social Responsibility play in the ongoing transformations of Social Market Economies such as Germany? This section provides a brief account of the rise of CR in Germany since the 1990s – the same period as the transformation of German capitalism.

Germany has acquired something of a reputation as a 'laggard' in Corporate Responsibility. The following statement by Andre Habisch and Martina Wegner exemplifies this view:

> For international firms with their headquarters in Germany we have a curious phenomenon: In the business ethics discussion of the 1990s, it was criticized that the standards in a company's home jurisdiction were higher than in the foreign branches. In a reversal of this line of argument one can see today that many German firms are more responsible abroad (especially in the Anglo-Saxon areas) than in their original national social environment (2004: 9-10)

Elsewhere, Habisch and Wegner remark that "[m]any European neighbors perceive Germany as a 'white spot' in the European CR landscape" (2005: 111). Why Germany should be a laggard in CR matters is puzzling at first sight, since the German economy was long thought to combine competitiveness with relatively high levels of social cohesion. German companies' initial ambivalence towards CR may result at least in part from their perceived investment in the institutional framework of Rhenish capitalism. Germany's high regulatory density, works councils and co-determination are functionally equivalent if not superior to the voluntary arrangements in Liberal Market Economies such as the United States or the United Kingdom – but these institutions tend to 'crowd out' voluntary business engagement.

Since the mid-1990s and increasingly since the founding of the association *Econsense* in 2000, Corporate Social Responsibility has taken hold in Germany. The rise of CR thus coincides with the erosion of the 'German model' of capitalism through institutional layering, drift, conversion, displacement and exhaustion (Streeck 2009; Streeck and Thelen, 2005). Whereas the orientation of German businesses towards Corporate Responsibility was initially characterized by high levels of ambivalence, this ambivalence has declined as liberalization has gained momentum. Many business representatives have come to see economic liberalization and the growth of CR as going hand-in-hand.

In the 1990s, the German political economy was destabilized by several exogenous 'shocks': reunification, the severe post-reunification recession, and harsh competitive winds from the East. As a result, even if the many of the institutions of Rhenish capitalism continue to exist formally, they have been subject to pressures of erosion and conversion (Höpner, 2003; Höpner, 2007; Kinderman, 2005; Streeck and Thelen, 2005). This transformation has entailed an increasing shareholder-value orientation by publicly listed firms; the spread of OT-membership (a form of membership not bound to the collectively agreed wage bargains with unions) among employers' associations; and the progressive dissolution of the 'Germany Inc.' network of cross shareholdings and bank-firm relations. As seen in relation to CR, this is a self-reinforcing process: the less the traditional institutions of the German model can

[65] For more thorough accounts of the political economy of CR in Germany, see Stefanie Hiβ (2009) and Daniel Kinderman (2008) at http://www.einaudi.cornell.edu/files/workingpaper/05-2008.pdf.

‘deliver the goods,’ the greater the space and need for CR to take up this functional and ‘legitimation deficit.’ As long as these institutions persist, CR takes on a libertarian meaning: from the point of view of business representatives and organizations, CR in Germany fulfils not only ‘defensive’ roles, serving to pre-empt new, burdensome legislation, but ‘offensive’ ones as well, serving to facilitate reforms which promote a more business-friendly environment.

Martin Höpner distinguishes organization from coordination and suggests that while German firms may remain co-ordinated, their organization, a “function [which] transcends maximization strategies and adjusts them to collective interests beyond maximization” has been seriously compromised (2007: 3). For Georg Menz,

> While the institutions of economic governance in Germany continue to diverge from the liberal Anglo-Saxon model, the policy output produced by these institutions varies dramatically from earlier decades. While traditional Rhineland institutions may survive, they serve fundamentally new goals. While no neoliberal ‘revolution’ has occurred as in Britain and New Zealand, actual policy output has assumed a distinctly neo-liberal direction (2007: 17)

Similarly, Anke Hassel stresses: “what seems to become increasingly clear is that the link between distributive outcomes and coordinating institutions is not a direct one. In other words, while coordinating institutions help the German manufacturing sector to remain competitive, they do little to preserve the previously egalitarian nature of the German model” (2007: 276). What roles are leading German CR initiatives playing during this transformation?

The *Initiative Freiheit und Verantwortung,* or Freedom and Responsibility, was founded in 2000 by the economic newsweekly *Wirtschaftswoche* together with the major German business federations. It aims to persuade businesses to take on responsibility and engage themselves for collective benefit, and organizes an annual competition for the most engaged/responsible enterprise in three categories. What is distinctive about this initiative is its emphasis on freedom. As the founder of the organization, Christian Ramthun, explained to me in an interview: “one has to be able to voluntarily choose to accept responsibility. In Germany there is too much compulsion ….. We want no legal regulation (of responsibility), no compulsion” (Ramthun, interview, 2006). Freer markets will lead business to take on more responsibilities. For “he who (with good reasons) wants to push back the welfare state,” so Wirtschaftswoche-Chief-Editor Baron, “must also be willing to fill the (morally intolerable) gaps which arise as a consequence.” Citizens that get more freedom must also take over more responsibilities. The same is true of companies. For them, (ex-)BDI-President Rogowski provides the motto: “We want more freedom. We are willing to assume more responsibility” (Ramthun, 2003: 95).

CSR Germany is an internet platform financed and established jointly by the Federation of German Employers’ Associations (BDA) and the Federation of German Industry (BDI) in 2004. Gunter Shall, an official of the BDI, explains: “The core idea is to pose the question ‘what does responsibility mean?’ In requesting responsibility from firms, we are also demanding freedom for them. ‘Responsibility’ [in Germany] is usually brought into connection with compulsion rather than with freedom.” CSR Germany aims to change this, he remarks (interview, 2005).

Econsese, an acronym which stands for ‘economic and ecological in consensus’ is the leading large-firm-driven CR initiative in Germany. At the time of writing, Econsense has twenty-five members that comprise the heavyweights in the DAX-30 or index of the thirty largest publicly traded German companies. These comprise the vast majority of companies which constituted the now defunct ‘Deutschland AG,’ the dense network of banks and companies bound together through cross-shareholding and overlapping supervisory boards. The following figure (derived from Höpner, 2003: 62) lists the forty German firms with the highest shareholder-value orientation in the late 1990s from greatest to least. I have shaded the companies which became members of Econsense in grey. (For companies which later merged or changed their name, I have included their new name/identity in square brackets). A high proportion of the firms with the highest shareholder-value orientation become members.

Figure 19: Shareholder-Value Orientation among German Firms in Late-1990s
(I have shaded firms that become members of Econsense in grey)

Firm	**Index**
Bayer AG	1.61
VEBA AG [E.ON]	1.48
SAP AG	1.33
Hoechst AG [Sanofi-Aventis]	1.20
BASF AG	1.14
Mannesmann AG [Vodafone plc]	1.11
Henkel KgaA	1.09
Daimler-Benz AG	1.02
RWE AG	0.90
Siemens AG	0.86
Schering Ag [Bayer AG]	0.74
Metallgesellschaft AG	0.72
Degussa AG	0.55
Viag AG	0.55
Preussag AG [TUI AG]	0.45
MAN AG	0.36
Deutsche Lufthansa AG	0.28
Linde AG	0.22
Continental AG	0.21
Thyssen AG [ThyssenKrupp AG]*	0.17
Deutsche Telekom AG	0.16
Krupp AG [ThyssenKrupp AG]	0.16
Buderus AG	0.04
Agiv AG	0.00
Beiersdorf AG	-0.17
Volkswagen AG	-0.26
Rheinmetall AG	-0.31
BMW AG	-0.43
VEW AG	-0.46
Metro AG	-0.70
AVA AG	-0.81
Deutsche Babcock AG	-1.08

Deutz AG	-1.18
Karstadt AG	-1.23
Bilfinger + Berger AG	-1.25
Spar AG	-1.28
Südzucker AG	-1.30
Axel Springer Verlag AG	-1.70
Holzmann AG	-1.90
Strabag AG	-2.29

Chart source: Höpner (2003: 62)

With regard to political objectives, Econsense's mandate is to facilitate as much as possible the development and exchange of 'best practice' solutions among its members and other stakeholders, while at the same time fending off attempts to introduce burdensome legislation. At the 5th anniversary ceremony of Econsense in 2005, the president of the BDI Jürgen Thumann, who is also President of Econsense, repeatedly emphasized the theme of voluntariness and self-regulation: 'we want to be responsible, but in order for this to be possible, the conditions have to be right.' In other words, German firms have to be at least partially freed from their institutionalized responsibilities (social partnership, taxation, co-determination, welfare state) in order to engage voluntarily in CR like their competitors abroad. The same theme was pressed by then-president of the BDI, Michael Rogowski, in 2004: "for more responsibility there has to be the freedom and the financial room to maneuver. To wage freedom, to break through constraints is the challenge …. If one is tied down like Gulliver, one can't spit in one's hands and get to work" (Rogowski, 2004: 10-11). Similarly Klaus Mittelbach, the then-managing director of Econsense: "Free competition on corporate responsibility is an important guarantor of sustainable development; it deserves to be supported in every way possible: through deregulation and flexibilization, wherever this is possible" (Mittelbach, 2004: 31). For Max Zeidler, the state must be rolled back if CR is to become dynamic in Germany: "due to high tax rates and an excessive state apparatus, the potential of innovative CR is limited, because there little space remains to engage oneself" (2003: 142).

In his comparison of the state of corporate citizenship in the United States and Germany, Bernd Meier stressed the burdens faced by German firms through mandatory social security contributions.

This leaves US companies with much more freedom for voluntary activities.... The aspirations of the German economy for more voluntary engagement thus face financial limitations.... the culture of social security in Europe and in Germany is very statist, so that citizens and firms are practically forced / compelled to contribute to the common good – there can be no talk of a depoliticization (Meier, 2003: 227-229)

The above are only some examples of the critical view of parts of the German business community towards what Matten and Moon call "implicit CR." Ulrich Hoppe (2006) also finds that "German companies do not see adhering to the stricter regulatory environment as a larger element of their social responsibility than their counterparts in the UK. In other words they do not regard implicit CR as CR" (2006: 144).

The programmatic and libertarian orientation of these CR initiatives is not meant to deny that these may prove useful for firms in an increasingly shareholder-value oriented economic environment. Thomas Baumeister is Director of Corporate Volunteering at Deutsche Bank in Germany. As he recalls, the question of Corporate Volunteering first posed itself following

Deutsche Bank's take-over of Banker's Trust (USA) and Morgan Grenfell (UK) during the 1990s. Baumeister describes how Corporate Volunteering can help to address this need for meaning and security, which has grown in the economic environment of the past decade:

> There I don't talk about numbers, data or facts but about stories, pictures, experiences, emotions. The dimension of meaning can be addressed most effectively with Corporate Volunteering. There is a great need in this area. Because the world of work doesn't offer this emotional home any more. The Deutsche Bank was an emotional haven [*emotionaler Hafen*]... You came to the Deutsche Bank and you stayed there your whole life. This changed in 1997, when we reorganized for the first time and took out an entire level of management (Baumeister, interview, 2006)

The consequence of the stringent standards of binding regulation in Germany is that German business-led CR takes on a distinctively libertarian meaning: responsibility yes, but in exchange for greater freedom and business-friendly institutional reforms. The similarity to British employers' discussion of CR more than twenty years ago is unmistakable.

To what extent is my argument about the UK and Germany applicable to other countries? I posit that the evolution of CR in affluent countries has followed the general patterns described above. In Sweden, a state with dense regulation and powerful trade unions, Sverker Rudeberg of the Confederation of Swedish Enterprise remarked:

We are fighting extremely hard to keep CR corporate and not making certain CR concepts compulsory to companies. We are extremely militant on keeping CR voluntary…. In another regulatory environment than the Swedish one the companies' attitudes and our attitudes may be quite different…. [In Sweden] the room and need for voluntary commitments in the area of social affairs is very small (Rudeberg, interview, April 03, 2007)

For Geert Vancronenburg of the Belgian Employers' Federation FEB, "the link with CR is mainly in terms of lobbying." The FEB is a member of the Belgian CR business association Belgian Business and Society:

> We also think it's important to sensiblize companies to focus attention on CR, to share information, to exchange good practices … but it's our task to monitor that the actions the government is taking are corporate friendly. That's not the task of business and society, that's our task (Vancronenburg, interview, 01 February 2007).

This case makes explicit the linkages between CR and other, more mainstream business interests and objectives. Business-led CR associations and initiatives are typically not at odds with industry and business lobbying organizations. Thus, there seems to be very little variance regarding David Vogel's (2005) question on businesses' influence on public policy and regulatory standards. In fact, this author is aware of no instances of CR associations lobbying for higher standards and a more stringent regulatory floor with their members' support.[66] Instead, liberationism and the push for far-reaching institutional 'reform' co-exist with images of the 'caring company,' with little or no cognitive dissonance.

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[66] At the time of its founding in the early 1990s, the US CR Association "Business for Social Responsibility" did set out to raise regulatory standards in social and environmental areas. However, when this stance was met with little support and much resistance from business interest groups, the organization's founders decided to change course and work together with individual businesses on their CR activities in a consulting and advisory role.

10. Conclusion

In this paper I have argued that CR is biased towards Market Liberal institutions and political-economic organization, and has risen in lockstep with the expansion and deepening of market relations across the OECD during the past decades. Using national CR associations as proxies for the institutionalization of CR in a given country, I have shown that CR arises significantly later in Social/Coordinated Market Economies than in Liberal Market Economies. Corporate Responsibility associations in Liberal Market economies have many more members than their Social/Coordinated Market counterparts do. Liberal Market Countries with powerful labor movements tend to develop CR later than countries with weak organized labor. Tax rates on capital have fallen as CR has spread.

Even though the UK and Germany exemplify different Varieties of Capitalism, the processes that led to the CR's rise and institutionalisation in both countries (beginning in the late 1970s in the UK, nearly two decades later in Germany) are similar. In each case, the rise of CR coincided with the liberalization, deregulation, privatization, and a fraying if not outright disintegration of the post-war compromise and 'organized capitalism.' British and German businesses representatives perceive CR as linked with a liberationist and market-liberal agenda, freeing the market and leaving behind the post-war compromise. Though the promotion of CR by employers (and politicians) intent on enacting institutional and regulatory reforms has a political inflection, it also has a structural foundation, which Daniel Cohen describes as follows: "on all sides, contemporary capitalism is thoroughly dismembering the industrial firm" (Cohen, 2009: 33). In the context of emergent market liberalism, CR has arisen not because it is market-liberal, but precisely because it isn't. The political economy of CR thus supports Colin Crouch's (2005) argument that complementarity should be understood as institutional difference, not as similarity. Institutionalized social solidarity has eroded as CR has risen to take its place as a (highly imperfect!) substitute and gap-filler.

The logic underlying CR's role as both symbolic and material compensation for the erosion of institutionalized solidarity and as legitimation of the new market-driven order is straightforward. But if we direct our attention away from the academic cogency and towards the significance and meaning of these findings, things become murkier. Insofar as CR does not constitute an expropriation of owners' assets, but is genuinely 'win-win' – and that is the dominant, if not hegemonic understanding of CR – there is scarcely anyone (including, as mentioned above, Milton Friedman) who is opposed to it. But what do we make of CR if its rise is accompanied by the decline of institutionalized solidarity? It is this plot in the drama of the emergence of CR, that gives this narrative its ambivalent and paradoxical quality.

This ambivalent or paradoxical quality, I wish to stress, is not necessarily due to cynical or Machiavellian manipulations of corporate strategists who preach the high road while taking the low road – though such examples undoubtedly exist. This suggests that highly rationalized or cynical explanations are equally off the mark. Just as in Weber's eyes, the Protestant Ethic provided a foundational impetus to the rise of modern-day capitalism, so Corporate Responsibility can be viewed as the economic ethic of the current era of market liberalism. CR seems closest to what Weber described as the "theodicy of good fortune," the need of the privileged to legitimate their own situation. Humans have an enormous capacity to believe that they are doing good. In all Varieties of Capitalism, those associated with capital – whether owners, managers, or employees – want to see their own conduct in this light.

Indeed, there are numerous examples – such as Hector Laing above – of businesspeople whose engagement in Corporate Responsibility was met with resistance and hostility from more orthodox parts of the business community. Conspiracies and PR-operations look different. Corporate Responsibility's ambivalent quality arises out of the discrepancy and asymmetry between the firm level, where firms engage in CR, and the reduction of regulations and social protections at the societal level, which organized business interests and CR associations are at minimum complicit in and at times push for.[67] Whatever the differences between traditional business lobby organizations and CR associations, they seem to be in agreement on the legal and institutional framework for business conduct: a market unencumbered by burdensome regulations. But if Corporate Responsibility remains purely voluntary, many important tasks will be impossible to accomplish. Collective action is indispensable for the resolution of many problems, both global and national. It is the seemingly dogmatic insistence on voluntarism that gives Corporate Responsibility its deep, structurally ambivalent quality.[68]

In other words, the public's lack of confidence and trust in business in general, and perhaps CR specifically, is not because Corporate Responsibility is cynical public relations and green-wash. Instead, the problem is that Corporate Responsibility is no match for the wave of economic liberalization that has swept across the world during recent decades, with profound impacts on many spheres of life. Avner Offer argues that this wave of economic liberalization has reduced government's capacity to mange long-term obligations – obligations which government is inherently better positioned to address than the private sector:

> I argue that government can manage … long-term obligations [inter-generational transfers like pensions and education, life-cycle contingencies like medical treatment, disability payments, unemployment benefits, and infrastructure, i.e. roads, science, culture, environmental protection, and sport] more effectively than private firms, because long-term contracts are uncertain. Government pay-as-you-go (PAYGO) transforms long-term obligations into current ones, and reduces reliance on contracts. More recently, the capacity of governments to perform has been undermined by market-liberal reforms (Offer, 2009: 3)

To this one must add two additional points. First, I have found little evidence that business-led CR coalitions have lobbied to raise regulatory standards. For David Vogel (2005), CR should be understood as including a company's influence on public policy, for example through lobbying – and not only a company's core business and CR activities. There appears to be overwhelming evidence that these actors lobby against the imposition of legally mandated standards in the area of CR. Second, in many cases, while the retrenchment or reduction of public service provision may lead the public to escalate its demands and desire for alternative modes to satisfy these needs, businesses are typically unable or willing to take on more than a small fraction of these responsibilities. Though Corporate Responsibility is an expansive business agenda by many accounts, CR is not a genuinely countervailing force compared with the unfolding of economic liberalism. If Corporate and Responsibility are two partners, they are two very unequal partners. Thus it is not surprising that this constellation may lead to cynicism: paving the way for liberalization without adequately compensating for the resulting social dislocations.

What are we to make of these findings? If the argumentation of this paper is correct, CR is associated not with embedded, but with market liberalism. But this is no critique of CR. It is no secret that businesses and international economies are subject to structural and systemic imperatives. Indeed, liberalization seems an almost invariant trend across the OECD during

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67 See also Pegg (2006) who makes a similar argument about 'World Leaders and Bottom Feaders.' Only in one of my cases did a national business community, represented by a Corporate Responsibility association, push for tougher and more stringent social and environmental legislation: Business for Social Responsibility in the US at the beginning of the 1990s. When BSR's agenda fell on deaf ears with established business associations and lobby organizations, it was abandoned in favour of the CR agenda which has become commonplace.

68 Among the prominent theorists of ambivalence we have, first and foremost, Max Weber. Merton (1976) and Smelser (1998) also have useful accounts of sociological ambivalence, as do the contributors to Honneth (2002) from a Frankfurt-school perspective.

recent decades (Simmons, Dobbin and Garrett, 2008; Streeck and Thelen, 2005). Thus, while CR by itself may be an inadequate substitute for the institutions of the embedded liberalism compromise, it would still seem that we are better off with CR in market liberalism than without it, if those are the only two options. Indeed, the world of CR is replete with examples of businesspeople and CR association officials whose visionary and progressive actions have almost certainly made a difference, at least at the margins. Moreover, the case of New Zealand shows that abrupt and radical moves towards market liberalism do not straightforwardly or automatically entail an endorsement of CR by the business community (Kinderman, 2010).

Whether the social and legitimation deficits resulting from economic liberalization will lead CR to evolve from well-intentioned and laudable, but largely symbolic initiatives to more solidly institutionalized ones; and whether the belief system of market liberalism that is part and parcel of mainstream corporate-led CR will be shaken by the current financial crisis remains to be seen. In any case, CR would seem to be highly ambivalent, given that many of societies' and humanity's pressing problems will be impossible to solve on purely voluntarist terms. If in the past, "responsibility" has been emphasized more than "corporate," I have tried to make the case for tightly coupling the study of CR with the study of national and transnational *capitalism* as a historical social order.

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